

OFFICE OF FINANCIAL MANAGEMENT

STATE OF WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

DECEMBER 2002

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For the Fiscal Year Ended June 30, 2002*

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INTRODUCTORY SECTION



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 17, 2002

The Honorable Gary Locke, Governor
Citizens of the State
Members of the Fifty-Seventh Legislature
State of Washington
Olympia, Washington 98504

In accordance with Chapter 43.88.027 of the Revised Code of Washington, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year that ended June 30, 2002. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and subsidiary accounts of the state. All disclosures necessary to enable the reader to gain an understanding of the state's financial activities have been included.

This is the first year the CAFR has been prepared in conformance with several new reporting standards that have significantly impacted report presentation. The objective of the new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the state's accountability.

The report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter. The Financial Section begins with the independent auditor's report and contains management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information, combining financial statements, and schedules. This letter of transmittal is designed to compliment the MD&A, which presents a narrative introduction, overview and analysis of the financial statements. The Statistical Section includes selected financial, economic, and demographic data.

The state provides a wide range of services. These include education, social, health, transportation, environmental, law, public safety, resource and recreation development, public improvement, and general administrative services. The accompanying report includes all funds and subsidiary accounts of the primary government, the state of Washington as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria

established in Governmental Accounting Standards Board Statement No. 14. Note 1.A to the financial statements explains more fully which organizations are included in the reporting entity.

Profile of Washington State

The state of Washington was created by an enabling act of Congress in 1889. The state is located on the Pacific Coast in the northwestern corner of the continental United States. Washington comprises 68,139 square miles and currently has a population of 5.8 million. Washington is famous for its scenery of breathtaking beauty and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the rainiest places in the world. Washington's coastline has hundreds of bays and inlets that make excellent harbors. In the eastern part of the state, the flat semi-desert land stretches for long distances without a single tree.

Washington's location makes it a gateway for land, sea, and air travel to Alaska and the Pacific Rim countries. Ships from all parts of the world dock at Washington ports. The Boeing Company, a leading producer of commercial airliners and spacecraft, has plants in Auburn, Kent, Renton, Everett, and Spokane. Microsoft, a leader in the computer software industry, makes its home in Redmond. The Weyerhaeuser Company, a major producer of wood and related products, is headquartered in Federal Way. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses.

East of the Cascade Mountain Range, farmers raise livestock and wheat on large ranches. Washington leads the nation in apple production. The state produces large amounts of lumber, pulp, paper, and other wood products. The mild moist climate in western Washington makes the region excellent for dairy farming and the production of flower bulbs.

Governmental Structure

As established in the State Constitution, the state consists of three branches of government: the Executive Branch, the Legislative Branch, and the Judicial Branch. The Executive Branch has nine elected officials as follows: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Commissioner of Public Lands, and Insurance Commissioner. Forty agency heads are appointed by, and report to, the Governor. Eighty-eight agency heads report to a board appointed in whole or in part by the Governor. The Legislative Branch consists of two legislative bodies: the Senate consisting of 49 members, and the House of Representatives with 98 members. The Judicial Branch consists of the State Supreme Court that is the highest court in the state comprised of nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices.

Washington State's Economy and Revenue Outlook

Washington State's economy dipped into recession in Fiscal Year 2002. Wage and salary employment declined for the first time in 20 years. Personal income grew at an anemic rate of only 2.5 percent that fiscal year. Only a few fiscal years earlier, Washington's personal income was growing at rates that regularly exceeded 7 percent. The aerospace industry continued its

decline into Fiscal Year 2002 with an employment decline of 4.5 percent, but total manufacturing employment declined even more, 7.3 percent. This came on top of three consecutive years of employment decline in manufacturing. In Fiscal Year 2002, Washington's unemployment rate

reached 7 percent. As late as Fiscal Year 2000, the state's unemployment rate was below 5 percent. For several months during Fiscal Year 2002, Washington had the highest unemployment rate of all the states in the nation.

Washington's recession reflects the national recession and the decline in the stock market, as well as the impact on aerospace employment in Washington of financially weak air carriers and the substantial decline in air travel after the events of September 11th.

Washington's outlook for Fiscal Year 2003 is for continued recession followed by the beginnings of a recovery. Wage and salary employment in Washington is forecast to decline again in Fiscal Year 2003, but only by 0.7 percent. Real personal income growth is predicted to remain weak as the decline of stock option income continues after the stock market bubble burst. However, personal income is expected to rebound sooner than employment, growing by 3.8 percent in Fiscal Year 2003. General Fund-State revenues are forecast to decline slightly in the 2001-03 Biennium compared to the 1999-2001 Biennium due to the recession, but bounce back to a more normal rate of growth in the 2003-05 Biennium.

Economic Condition in Fiscal Year 2002

Washington's wage and salary employment declined at the rate of 2.0 percent in Fiscal Year 2002, a much steeper decline than the 0.8 percent fall in U.S. wage and salary employment growth. Washington's growth rate was much lower than its wage and salary employment growth rate of +1.2 percent in Fiscal Year 2001. The recession in Washington caused wage and salary employment to fall by more than 53,000 during Fiscal Year 2002.

Although the growth rate of wage and salary employment in Washington fell twice as fast as the national rate of growth during Fiscal Year 2002, personal income in Washington grew slightly faster than U.S. personal income, 2.5 percent in Washington compared to 2.1 percent for the U.S. Real per capita income growth was flat in Washington at 0.0 percent over the same period as compared to a slight dip of 0.2 percent for the nation as a whole. Some of the reasons for the slowdown in personal income growth include the national recession, the large decline in stock values, the impact of the stock market decline on high technology firms, and reductions in aerospace production and employment after September 11, 2001. Washington proved more vulnerable to recession pressures than other states due to the reliance of the state's economy on high technology firms and aerospace production.

Aerospace employment was a major factor in the year's slowdown in employment growth. After adding more than 15,000 employees in Fiscal Year 1998, employment in the aerospace industry fell by a total of 24,600 in Fiscal Years 1999 through 2001. Aerospace employment continued its decline in Fiscal Year 2002, falling by 3,900. Just as the aerospace employment decline began to moderate in Fiscal Year 2002, a host of other manufacturing industries went into decline. Manufacturing employment excluding aerospace in Washington declined by 21,700 jobs in Fiscal Year 2002, a reduction of 8.3 percent. Non-manufacturing employment growth fell by 1.2 percent, the first annual decline in twenty years.

Employment in durable manufacturing other than aerospace fell by 10.2 percent in Fiscal Year 2002 while employment in durable manufacturing nationally declined by 7.5 percent. Employment declined in every sector of durable manufacturing in Washington. The smallest decrease (2.1 percent) occurred in instruments. Employment in lumber and wood products manufacturing fell by 5.7 percent while employment in stone, clay, glass, and concrete products decreased by 6.7 percent in Fiscal Year 2002. All other durable manufacturing industries experienced declining

employment at rates greater than 7.5 percent during Fiscal Year 2002. The largest percentage declines occurred in the primary metals industry, down 25.9 percent (a decline of 2,800 jobs), and electronic and electrical equipment industry, down 18.4 percent (loss of 3,800 jobs). Durable manufacturing excluding aerospace declined by 15,800 jobs in Washington in Fiscal Year 2002.

Non-durable manufacturing employment in Washington decreased by 5.5 percent in Fiscal Year 2002 (loss of 5,900 jobs). Nationally, non-durable manufacturing employment declined by 4.4 percent. In Washington, all six non-durable manufacturing industries experienced employment losses in Fiscal Year 2002. The largest percentage losses of employment occurred in apparel, a 12.9 percent decline, and printing and publishing, a 7.4 percent loss. Employment in chemicals declined by 3 percent and employment in pulp and paper fell by 2.3 percent. Employment in food and kindred products decreased by 5.4 percent and experienced the largest absolute decline in number of jobs in non-durable manufacturing (loss of 2,200 jobs).

Non-manufacturing employment fell by 1.2 percent during Fiscal Year 2002, with transportation, communications and public utilities employment growth down 4.2 percent, construction employment falling 4.7 percent, and wholesale trade declining by 4.7 percent. Retail trade employment and services employment decreased by 1.9 and 2.3 percent respectively. Employment actually grew in the finance, insurance and real estate industry sector with an increase of 2.5 percent. Government employment also increased with state and local government employment growing by 4 percent and federal government civilian employment inching up by 0.2 percent in Fiscal Year 2002.

Economic Outlook

The economic forecast for Washington State for Fiscal Year 2003 reflects the impact of the recession at both the state and national levels. According to the November 2002 forecast by the state Economic and Revenue Forecast Council (ERFC), growth in Washington's wage and salary employment is predicted to fall by 0.7 percent in Fiscal Year 2003. Washington's employment performance is expected to be almost a full percentage point below national employment growth of 0.7 percent for Fiscal year 2003. However, the ERFC forecasts predict that wage and salary employment growth in Washington will catch up with U.S. growth by Fiscal Year 2005 with growth of 1.8 percent in Fiscal Year 2004 and 2.4 percent growth in Fiscal Year 2005. U.S. wage and salary employment are expected to increase by 2.3 percent in Fiscal Year 2004 and 2.2 percent in Fiscal Year 2005.

Personal income growth in Washington State is also expected to grow more slowly than the national average for Fiscal Year 2003. The ERFC economic forecast indicates that personal income in Washington will grow by 3.8 percent in Fiscal Year 2003, slower than the 4.5 percent growth expected for U.S. personal income. Washington's personal income growth will rebound in Fiscal Years 2004 and 2005 with growth of 4.4 percent and 6.1 percent, respectively. However, Washington's personal income growth will lag slightly behind U.S. personal income growth, which is predicted to be 5.5 percent in Fiscal Year 2004 and 6.4 percent in Fiscal Year 2005.

Manufacturing employment in Washington is projected to continue its decline into Fiscal Year 2003, due to the continuing effects of the national recession and the effects on the air travel industry following the events of September 11th. The ERFC suggests that aerospace employment will decline by another 12,200 workers in Fiscal Year 2003. This decline is expected to carry forward into Fiscal Year 2004 with a further reduction in aerospace employment of 7.1 percent, slowing to a decline of only 1.4 percent in Fiscal Year 2005. Other manufacturing sectors are expected to decline by about 7,000 in Fiscal Year 2003. However, growth is expected to return in

Fiscal Year 2004 with an increase in manufacturing employment excluding aerospace of 0.3 percent and increasing to 1.7 percent in Fiscal Year 2005.

In the non-manufacturing sectors, the strongest growth is predicted to occur in services. Services employment is forecast to return to growth with an increase of 0.9 percent in Fiscal Year 2003, but then rebound significantly with 4.1 percent growth in Fiscal Year 2004 and 3.6 percent growth in Fiscal Year 2005. Finance, insurance and real estate employment growth is expected to be another bright spot in the coming recovery. Employment growth in that sector is expected to grow by a modest 0.9 percent in Fiscal Year 2003, but grow more robustly at the rates of 2.8 percent and 3.6 percent in Fiscal Years 2004 and 2005, respectively. Federal government civilian employment is forecast to grow by 1.6 percent in Fiscal Year 2003, and then continue to grow by 1.3 percent and 0.7 percent in the next two fiscal years.

Retail trade employment is forecast to decline by 0.4 percent and wholesale trade employment by 0.6 percent in Fiscal Year 2003, reflecting the lingering effects of the recession. Retail trade employment should show improved growth of 1.8 percent in Fiscal Year 2004 and 0.8 percent growth in Fiscal Year 2005. Wholesale trade employment is forecast to rebound in a stronger way with employment growth of 3.5 percent in Fiscal Year 2004 and 3.7 percent in Fiscal Year 2005. Construction employment will remain weak during the next two years with a very small increase in employment of 0.2 percent in Fiscal Year 2003 and a small decline of 0.5 percent in Fiscal Year 2004. By Fiscal Year 2005, construction employment should regain some momentum and grow by 3.0 percent. Employment growth in transportation, communications and public utilities employment is predicted to decline by 1.1 percent in Fiscal Year 2003 but increase substantially afterward, by 4.5 percent in Fiscal Year 2004 and 4.6 percent in Fiscal Year 2005. State and local government employment is expected to begin feeling the impacts of serious budget cuts in Fiscal Year 2003 when employment is predicted to fall by 0.4 percent. State and local government employment is expected to fall by another 0.7 percent in Fiscal Year 2004, but return to very modest growth of 0.7 percent in Fiscal Year 2005 as revenues begin to recover with the economy.

General Fund-State Revenues

General Fund-State revenues for the 2001-03 Biennium are forecast to be \$21.1 billion, a decrease of 0.6 percent in nominal terms over the previous biennium. Without the effect of voter-approved initiatives, which lowered taxes and diverted revenues from the General Fund, revenues would be expected to grow by 1.8 percent in the 2001-03 Biennium.

General Fund-State revenues increased by 8.4 percent in the 1999-2001 Biennium compared to the previous biennium. The revenue growth rate for the 2001-03 Biennium is the slowest since the recession of 1981-83 and reflects the slowing state economy in response to the national recession and the financial and economic effects of the events of September 11th. The reduction in aerospace employment is a major contributor to the general slowing in the state economy, especially coming on the heels of almost three prior years of reductions. In addition, Washington

voters approved three initiatives to the people which reduced General Fund-State revenue in the 2001-03 Biennium: Initiative 728 diverted \$470 million in revenue to accounts supporting K-12 schools and education construction; also, Initiative 747 (property tax reduction) and Initiative 773 (funding for health care programs) reduced General Fund-State revenues by \$34.1 million in the 2001-03 Biennium.

Based on the November 2002 revenue forecast, Washington will have an estimated reserve of \$423.6 million by the end of the 2001-03 Biennium, down from \$1,061.6 million in the previous biennium.

Revenue growth is expected to rebound in the 2003-05 Biennium. General Fund-State collections are forecast to increase by 7.4 percent during that two-year period, generating revenue of \$22.7 billion.

Major Initiatives

Despite a difficult financial environment, Washington made significant progress in Fiscal Year 2002 to improve the state's public education system, make state government more efficient and responsive, cultivate economic development, and protect and preserve its natural resources.

Public Education

Governor Locke continued to pursue his first priority – improving Washington's public schools. The Governor and Legislature approved continued funding for a citizen initiative passed in 2000 to reduce class sizes, provide more individual teacher-attention to each student and retain quality teachers. In total, the initiative provided \$391 million for these purposes in the two-year budget biennium ending June 30, 2003. In accordance with the citizen initiative, the Governor and Legislature also supported cost-of-living pay increases to teachers for the second year in a row at a total cost for the biennium of \$333 million. The Governor and Legislature also tightened school district spending by reducing non-basic education grants and program reductions to save \$92 million.

Higher Education

Despite a difficult budget year, the Governor and Legislature took significant steps to improve the state's system of higher education. Gov. Gary Locke's two-year "Promise Scholarships" for financially strapped high school seniors at the top of their classes were written into law, giving the four-year-old program more stability and certainty. The Governor and Legislature also maintained enrollment growth targets despite reductions of 5 percent in state general fund appropriations to four year institutions, and 3 percent reductions to community colleges. All higher education institutions were granted limited authority to increase tuition in the next school year.

Economic Development

The Governor and Legislature took additional steps to improve Washington's economic climate and job opportunities. Funding was approved to expand enrollment for worker-retraining programs by 1,320 to 8,500 at community and technical colleges. Acting on recommendations from Governor Locke's Washington Competitiveness Council, the Legislature approved measures to improve equity and fairness in unemployment insurance taxation; to clarify taxation of investment income; to create a permit assistance center; to speed up business permitting; to authorize universities to finance research facilities with revenue bonds; and to further reform water law to make better use of this critical element of economic development.

Water and Salmon

Washington continued to make progress in Fiscal Year 2002 to better manage the state's water resources and protect threatened wild salmon populations. Legislation and additional funding helped to reduce the backlog of water rights change applications. Due to changes in the law, businesses, farmers and others channeled more existing water rights into new, more productive uses in new locations where water is most needed. This enhances economic development while preserving water in streams necessary to protect threatened wild salmon species. The state also continued to provide grants for both local salmon recovery projects and to develop local watershed plans to help guide the use of state water resources.

Cost Cutting and Quality Initiatives

The Legislature granted the Governor long-sought reform of civil service rules to create a more efficient state government personnel system. The legislation also permits collective bargaining and contracting out for more state services. To cope with a recession-driven budget shortfall, the Governor and Legislature eliminated several state programs to save \$59 million, and reduced the payroll by more than 1,400 full time staff positions. They also eliminated cost-of-living increases for state workers, saving \$50 million, and increased employee's share of health insurance costs to save an additional \$47 million.

State agencies completed five years of intensive review of state regulations, eliminating those that are unnecessary, and rewriting those that remain to make them easier for the public to understand. The regulatory improvement program has resulted in the elimination of more than 8,100 rules, the rewriting of more than 7,000 regulations in plain English, simplified regulatory processes, continued elimination of redundant and inefficient state boards and commissions, and faster adoption of rules to implement new laws.

Transportation Funding

Washington state voters in November 2002 rejected a \$7.8 billion proposal from the 2002 Legislature (Referendum 51) to finance statewide transportation improvements through increased gasoline and other transportation-related taxes and fees. Governor Locke and legislative leaders are studying possible options to finance much-needed expansion and repair of the state highway system. Action is possible during the 2003 legislative session. Voters in November also approved a citizen initiative (Initiative 776) that reduces state transportation-related funding by \$36.5 million and local transportation-related funding by \$185.2 million in the coming two-year budget period beginning July 1, 2003.

Welfare Reform

Despite an economic recession, Washington State continued to reduce welfare rolls and poverty among financially struggling families. In just five years, Washington's WorkFirst has put tens of thousands of people to work and cut the state's welfare caseloads nearly in half. Welfare grant savings are reinvested in services working families need most to stay employed and get ahead, such as child care, job training, work supports and tax credit education.

For the Future

Washington State faces a difficult test in balancing its recession-battered budget and providing services that are vital to economic development and the state's superior quality of life. Governor Locke will propose a spending plan that focuses on his priorities – education, economic development and public safety. He will propose a budget that delivers to citizens those services and programs that are clearly the most needed and justified.

Financial Management Information

Internal Controls

The state is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the state are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Washington State continues to assess the adequacy of its internal control structure and make improvements where weaknesses are found. These actions will help assure that the state maintains public accountability for years to come.

Budgeting Controls

Budgetary control is maintained through legislative appropriations and the executive branch allotment process. The Governor is required to submit a biennial budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature with approval by the Governor. Appropriated funds are controlled by the executive branch through an allotment process. This expenditure plan details the appropriation into monthly estimates by program, source of funds, and object of expenditure. Nonappropriated governmental funds are also subject to allotment control by the executive branch. Additionally, the state maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at the end of the appropriation. However, capital encumbrances are generally reappropriated as part of the following biennial budget.

The state's budgetary policies and procedures, fund accounting structure, and basis of accounting are explained in detail in the notes to the financial statements and notes to the required supplementary information.

Retirement Plans

The state administers eleven defined benefit retirement plans and four defined contribution retirement plans covering eligible employees of the state and local governments. Note 11 to the financial statements presents plan descriptions, information on funding policies, and combining statements of plan net assets and changes in plan net assets.

Risk Management

The state has three insurance programs operated and accounted for as insurance businesses. Notes 1.L and 7 to the financial statements disclose the specific programs and claims liability changes during Fiscal Year 2002 for each insurance program.

Liabilities of the workers' compensation insurance activity amount to \$14.9 billion as of June 30, 2002. The liability includes \$7.2 billion for supplemental pension cost of living adjustments (COLA) that, by statute, are not to be fully funded. This COLA is funded on a pay-as-you-go basis, and the Department of Labor and Industries actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due. The remaining \$7.7 billion in

claims liability is fully funded by long-term investments, net of obligations under securities lending agreements, held for payment of claims.

The risk management insurance activity liabilities amount to \$402.5 million as of June 30, 2002. This liability is currently funded by \$5.4 million in cash equivalents.

Health insurance activities have liabilities as of June 30, 2002, amounting to \$46.9 million that are fully funded with cash and investments, net of obligations under securities lending agreements.

Other Information

Independent Audit

State statutes require an annual audit by the Office of the State Auditor. The State Auditor is an independently elected public official. The state is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The State Auditor conducts the audit of all state agencies. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act. The Auditor's report on the basic financial statements is included in the financial section of this report. The Auditor's report related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and reports on internal control structure and compliance with applicable laws and regulations, will be published in a separate report. When completed, the report will be available on the Office of Financial Management website at: <http://www.ofm.wa.gov>.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Washington State has received a Certificate of Achievement for the last fifteen years. The Office of Financial Management considers this report to be in conformance with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

Acknowledgment

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency and institution of higher education, and the Office of Financial Management.

This Comprehensive Annual Financial Report reflects the commitment of the Governor to the Legislature, the citizens of Washington State, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

A handwritten signature in black ink that reads "Marty Brown". The signature is written in a cursive, flowing style.

Marty Brown
Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director

State of Washington Elected Officials as of June 30, 2002



Gary Locke
Governor



Brad Owen
Lieutenant Governor



Sam Reed
Secretary of State



Michael Murphy
Treasurer



Brian Sonntag
State Auditor



Christine Gregoire
Attorney General



Terry Bergeson
Superintendent of Public Instruction



Doug Sutherland
Commissioner of Public Lands



Mike Kreidler
Insurance Commissioner



2002-2003 Organization Chart

Washington State Government

Legislative Branch

Executive Branch

Judicial Branch

Senate House of Representatives

Joint Legislative Audit and Review Committee
Legislative Transportation Committee
Legislative Ethics Board
Legislative Evaluation and Accountability Program

Office of the State Actuary
Joint Legislative Systems Committee
Redistricting Commission
(activated decennially)

Court of Appeals
Superior Courts
District Courts
Municipal Courts

Supreme Court Clerk
Supreme Court Commissioner
Administrator for the Courts
Office of Public Defense

Law Library
Reporter of Decisions
Commission on Judicial Conduct

Agencies Managed by Statewide Elected Officers

Commissioner of Public Lands	Insurance Commissioner	Treasurer	Lieutenant Governor	Governor	Attorney General	Superintendent of Public Instruction	Auditor	Secretary of State
Department of Natural Resources Forest Practices Board		Public Deposit Protection Commission State Finance Committee Puget Sound Water Quality Action Team Salmon Recovery Office		Office of the Governor	Executive Ethics Board Governor's Office of Indian Affairs Office of the Family and Children's Ombudsman	Board of Education Academic Achievement and Accountability Commission Professional Educator Standards Board		Productivity Board State Library

Environment and Natural Resources

General Government

Transportation

Health and Human Services

Education

Community and Economic Development

Agencies Managed by Governor-appointed Executives

Department of Ecology
Department of Agriculture
commodity commissions
Interagency Committee for Outdoor Recreation
Salmon Recovery Funding Board
Pollution Liability Insurance Program

Office of Financial Management
Department of General Administration
Department of Revenue
Department of Personnel
Personnel Resources Board
Department of Retirement Systems
Employee Retirement Benefits Board
Department of Information Services
Lottery Commission
Department of Financial Institutions
Military Department
Public Printer
Office of Administrative Hearings
Board of Accountancy

State Patrol
Department of Licensing
occupational regulatory boards
Traffic Safety Commission

Department of Social and Health Services
Department of Labor and Industries
Department of Employment Security
Department of Health
occupational regulatory boards
Department of Corrections
Department of Veterans Affairs
Council for the Prevention of Child Abuse and Neglect
Health Care Authority
Public Employees' Benefits Board
Department of Services for the Blind

School for the Blind
School for the Deaf
Board of Trustees
Workforce Training and Education Coordinating Board

Department of Community, Trade, and Economic Development
Energy Facility Site Evaluation Council
Public Works Board
Building Code Council
Office of Minority and Women's Business Enterprises
Commission on Asian Pacific American Affairs
Commission on African-American Affairs
Commission on Hispanic Affairs
Arts Commission

Agencies Under Authority of a Board

Fish and Wildlife Commission
Department of Fish and Wildlife
Parks and Recreation Commission
Environmental Hearings Office
Pollution Control Hearings Board
Shorelines Hearings Board
Forest Practices Appeals Board
Hydraulic Appeals Board
Conservation Commission
Columbia River Gorge Commission
Growth Management Hearings Boards
Eastern Washington
Central Puget Sound
Western Washington
Board of Natural Resources

Liquor Control Board
Utilities and Transportation Commission
Personnel Appeals Board
(abolished 2006)
Public Employment Relations Commission
Board of Tax Appeals
Public Disclosure Commission
Board of Volunteer Firefighters and Reserve Officers
Gambling Commission
Horse Racing Commission
Investment Board
Statute Law Committee
Code Reviser
Municipal Research Council
Economic and Revenue Forecast Council
Caseload Forecast Council
Pension Funding Council
Forensic Investigations Council
Citizens' Commission on Salaries for Elected Officials
State Capitol Committee

Transportation Commission
Department of Transportation
Board of Pilotage Commissioners
Marine Employees' Commission
Transportation Improvement Board
Freight Mobility Strategic Investment Board
County Road Administration Board

Human Rights Commission
Indeterminate Sentence Review Board
Board of Industrial Insurance Appeals
Criminal Justice Training Commission
Sentencing Guidelines Commission
Health Care Facilities Authority
Board of Health
Home Care Quality Authority
Tobacco Settlement Authority

Higher Education Coordinating Board
Governing Boards of Four Year Institutions of Higher Education
University of Washington
Washington State University
Central Washington University
Eastern Washington University
Western Washington University
The Evergreen State College
Board for Community and Technical Colleges
Boards of Trustees
Community Colleges
Technical Colleges
Spokane Intercollegiate Research and Technology Institute
Higher Education Facilities Authority
Washington State Historical Society
Eastern Washington State Historical Society

Convention and Trade Center
Housing Finance Commission
Economic Development Finance Authority





Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

Washington State Auditor
Brian Sonntag

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.sao.wa.gov/>

INDEPENDENT AUDITOR'S REPORT

December 17, 2002

The Honorable Gary Locke
Governor, State of Washington

Dear Governor Locke:

We have audited the accompanying basic financial statements of the State of Washington as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems and the Local Government Investment Pool. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts audited by others, is based upon their reports. Those fiduciary financial statements do not affect the assets and revenues of the state's government-wide financial statements but are included in total assets and additions of the state's fund financial statements as follows:

Fiduciary Fund Financial Statements:

	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Fiduciary Funds – Local Government Investment Pool	100.0%	100.0%
Fiduciary Funds – Pension and Other Employee Benefit Plans	2.6%	9.2%

We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the State of Washington as of June 30, 2002, and the results of its operations and cash flows of its proprietary funds and discretely presented component units for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the state adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the State of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules listed in the table of contents, and the budgetary reports (MFS1054) referenced in Note 1.D are for purposes of additional analysis, and are not a required part of the basic financial statements of the State of Washington. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the introductory and statistical sections in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
State Auditor

FINANCIAL SECTION

Audit Opinion

Management's Discussion and Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2002. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow.

The state implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) in Fiscal Year 2002. The GASB establishes reporting standards for state and local governments whereas the state's budget is the responsibility of state elected officials and officers. Statement No. 34 dramatically impacted the form and content of the state's financial statements, but did not change the underlying legal requirements related to the state's budget. Because Fiscal Year 2002 is the first year we have presented financial data in accordance with the new reporting requirements, this discussion and analysis provides limited comparisons with the previous year. Future reports will include more comparisons. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets of the state of Washington exceeded its liabilities by \$15.0 billion (reported as *net assets*). Of this amount, \$2.3 billion was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.
- The state of Washington's governmental funds reported combined ending fund balances of \$7.1 billion, a decrease of \$368 million in comparison with the prior year.
- Unreserved fund balance for the General Fund was \$398 million, or 2.5% percent of total General Fund expenditures.
- The state's capital assets increased by \$914 million while total bond debt increased by \$543 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements. The state of Washington's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

With the implementation of GASB 34, we have changed the presentation of the state's financial statements. The new focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the state's accountability.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the state of Washington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

The *Statement of Activities* presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of the government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections and general government. The business-type activities of the state of Washington include the workers' compensation, unemployment compensation and health insurance programs, as well as various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 35-37 of this report.

Fund Financial Statements - Traditional readers of governmental financial statements will find the Fund Financial Statements presentation familiar. However, the focus is now on major funds, rather than fund types.

A *fund* is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all non-major funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Permanent Fund. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 40-42 of this report.

Proprietary Funds. - The state of Washington maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool and central stores, data processing services, and printing services. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for Workers Compensation and Unemployment Compensation Funds, which are considered to be major funds, as well as an aggregated total for all non-major enterprise funds. The internal service funds are combined for presentation purposes. Individual fund data for the state's non-major proprietary funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 43-46 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 47-48 of this report.

Component Units. Component units are entities which are legally separate from the state but which are financially accountable to the state. The state has one major component unit, the Washington State Public Stadium Authority, and four non-major component units. Refer to Note 1 on page 53 for more detail information.

The financial statements for the state's component units can be found on pages 49-51 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-106 of this report.

Other required information. In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plan funding, and infrastructure assets reported using the modified approach. Required supplementary information can be found on pages 107-125 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 127-186 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets exceed liabilities by \$15.0 billion at June 30, 2002.

The largest portion of the state's net assets (57.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.

The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Washington's Net Assets

(in millions of dollars)

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 11,682	\$ 13,405	\$ 25,087
Capital assets	18,957	1,114	20,071
Total assets	30,639	14,519	45,158
Long-term liabilities outstanding	9,491	16,460	25,951
Other liabilities	3,005	1,234	4,239
Total Liabilities	12,496	17,694	30,190
Net assets:			
Invested in capital assets, net of related debt	8,253	355	8,608
Restricted	2,153	1,883	4,036
Unrestricted	7,737	(5,413)	2,324
Total net assets	\$ 18,143	\$ (3,175)	\$ 14,968

A portion of the state of Washington's net assets (27.0 percent) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the state's ongoing obligations to citizens and creditors.

State of Washington's Changes in Net Assets

(in millions of dollars)

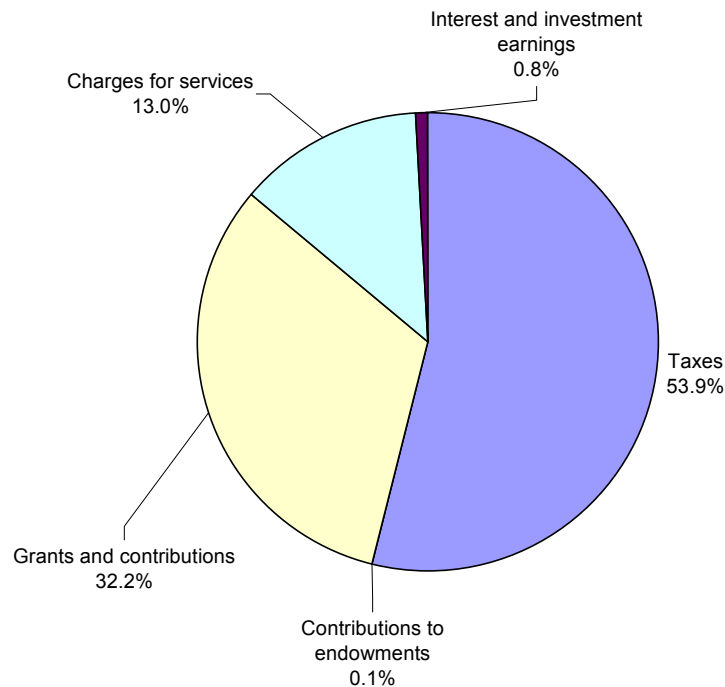
	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services	\$ 2,906	\$ 4,987	\$ 7,893
Grants and contributions	7,182	269	7,451
Total	10,088	5,256	15,344
Program expenses	(22,923)	(6,747)	(29,670)
	(12,835)	(1,491)	(14,326)
General revenues:			
Taxes	12,030	83	12,113
Interest and investment earnings	189	613	802
Contributions to endowments	29	-	29
Excess(deficiency) of revenues over expenses before transfers	(587)	(795)	(1,382)
Transfers	148	(148)	-
Increase(decrease) in net assets	(439)	(943)	(1,382)
Net assets - July 1, 2001	18,582	(2,232)	16,350
Net assets - June 30, 2002	\$ 18,143	\$ (3,175)	\$ 14,968

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while the business-type activities are supported primarily through user charges.

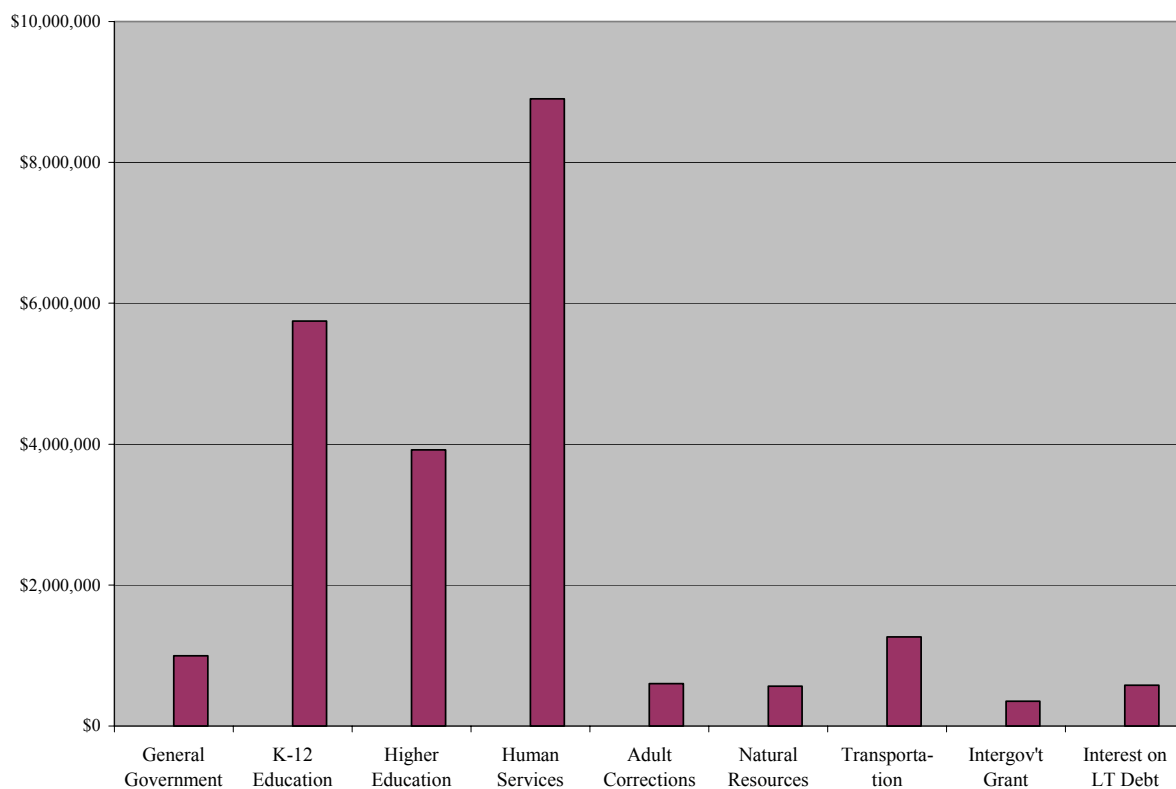
Governmental activities. Governmental activities resulted in a net reduction in the state of Washington's net assets of \$439 million. Key elements of this decrease are as follows:

- Demand for services increased while tax revenues held fairly static necessitating the use of \$335 million of emergency reserves.
- Claims expenses exceeded revenues in the state's Risk Management Fund by \$124 million.

Revenues by Source – Governmental Activities



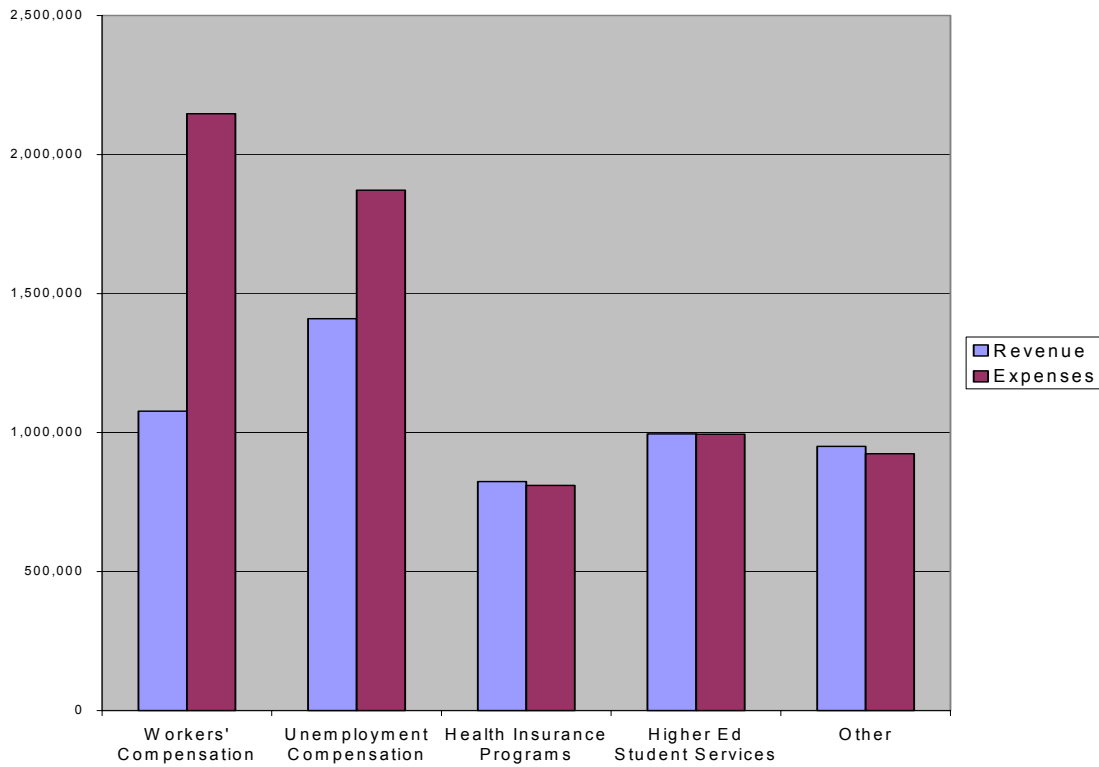
Expenses – Governmental Activities



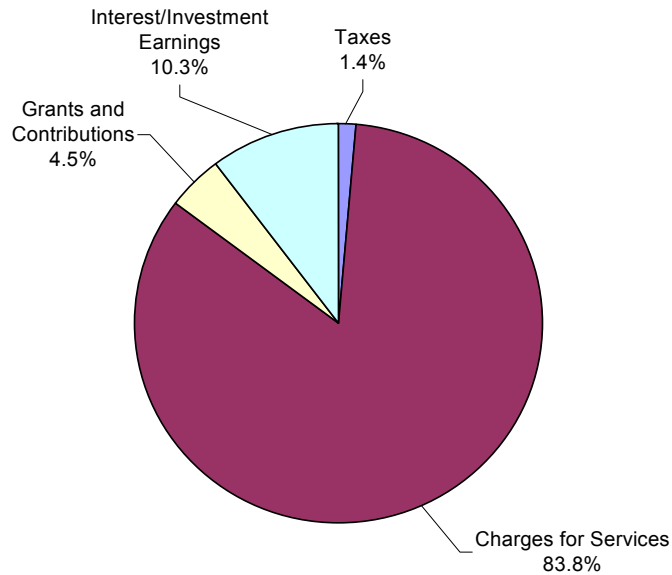
Business-type activities. Business-type activities decreased the state of Washington's net assets by \$943 million, a 40 percent decrease in the state's unrestricted net assets. The two main causes of this decrease are as follows:

- The workers' compensation program experienced a loss. The loss was partially due to a decline in investment earnings. Additionally, by law, the supplemental pension cost-of-living adjustments granted for time-loss and disability payments are funded on a pay-as-you-go basis while the related costs are recognized at the time the injury occurs.
- High levels of unemployment related to the state's economic recession resulted in unemployment compensation benefit payments exceeding unemployment compensation assessment revenue.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As discussed earlier, the focus of the state of Washington's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the state of Washington's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the state of Washington. At the end of the fiscal year, total fund balance for the General Fund equaled \$1.3 billion. Unreserved fund balance, the amount considered available to spend, totaled \$398 million. \$848 million of the General Fund fund balance relates to certain accrued revenues and has been designated for working capital purposes. It is not considered available to spend.

The fund balance of the state of Washington's General Fund decreased by \$144 million during the current fiscal year.

State of Washington's General Fund

(in millions of dollars)

	Fiscal Year 2002	Fiscal Year 2001	Difference Increase(Decrease)
Revenues			
Taxes	\$ 10,342	\$ 10,562	\$ (220)
Federal grants	5,131	4,598	533
Investment revenue	20	103	(83)
Other	413	369	44
Total	15,906	15,632	274
Expenditures			
Human services	8,304	7,561	743
Education	6,778	6,608	170
Other	910	1,004	(94)
Total	15,992	15,173	819
Net transfers in (out)	(65)	(324)	259
Other financing sources	7	6	1
Net increase(decrease) in fund balance	\$ (144)	\$ 141	\$ (285)

The state's recession is reflected in decreased tax revenues and increased demand in human service programs. Declining interest rates, coupled with lower amounts available to invest, also had a negative impact on the General Fund. While the General Fund normally transfers resources to support activities of other funds, this was partially offset in Fiscal Year 2002 by the transfer in of resources from the Emergency Reserve Account and various other non-major governmental funds.

The Higher Education Special Revenue Fund and the Higher Education Endowment Fund are the other major governmental funds. During Fiscal Year 2002, the Board of Regents of the University of Washington approved the transfer of over \$200 million from the Higher Education Special Revenue Fund to the Higher Education Endowment Fund to establish an endowment.

Activity for the non-major governmental funds resulted in a reduction of net assets of \$306 million. Contributing to this reduction of net assets were transfers to the General Fund of \$335 from the Emergency Reserve Account and \$255.7 million from various other accounts. These transfers were made in accordance with legislative authorization to subsidize lower than expected General Fund revenues.

Proprietary Funds. The state of Washington’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Workers’ Compensation Fund and the Unemployment Compensation Fund are major proprietary funds. Both experienced losses in Fiscal Year 2002 that are discussed previously under business-type activities. Activity for the various non-major proprietary funds resulted in an increase to net assets of \$45 million. The Risk Management Fund, an internal service fund, ended Fiscal Year 2002 with a loss of \$124 million. This loss resulted because funding for claims is provided on a pay-as-you-go basis while the claims expense is recorded as claims are incurred.

General Fund Budgetary Highlights

Differences between the General Fund original budget and the final amended budget reflect adjustments to deal with the state’s recession and are summarized as follows:

- Estimated tax revenues were decreased \$796 million.
- Resources provided by transfers in from other funds increased \$846 million.
- Appropriated expenditures decreased by \$400 million.

Differences between the General Fund final amended budget and actual expenditures are as expected at mid-point in the biennial budget – both actual revenues and expenditures approximating half of the appropriated amount.

Capital Asset, Infrastructure, Bond Debt Administration, and Subsequent Events

Capital assets. The state of Washington’s investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$20.1 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings and equipment, as well as construction in progress.

Washington’s Fiscal Year 2002 investment in capital assets, net of current year depreciation, was \$914 million, including increases to the state’s highway infrastructure of \$607 million and buildings of \$237 million. The state’s construction in progress includes both new construction and major improvements to state facilities including correctional facilities, ferry vessels and terminals, and buildings on the capitol and college and university campuses. Remaining commitments on these construction projects total \$2.6 billion.

Additional information on the state of Washington’s capital assets can be found in Note 6 on pages 71-74 of this report.

State of Washington's Capital Assets
(net of depreciation)
(in millions of dollars)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,088	\$ 24	\$ 1,112
Highway system infrastructure and other assets not depreciated	11,174	-	11,174
Buildings	3,716	662	4,378
Furnishings, equipment and collections	1,250	85	1,335
Other improvements and miscellaneous	588	43	631
Construction in progress	1,141	300	1,441
Total	\$ 18,957	\$ 1,114	\$ 20,071

Infrastructure. Fiscal Year 2002 is the first year for the State of Washington to report infrastructure under the new requirements of GASB 34. Transportation infrastructure includes the state highway system, emergency airfields and a short rail line. While the rail line is reported net of depreciation, the state highway system and emergency airfields are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported. The rating scales for pavements, bridges and airfields are further explained in the notes and required supplementary information to the financial statements.

The Department of Transportation (WSDOT) manages state highways targeting the lowest life cycle cost per the Pavement Management System due date. While WSDOT has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the policy for the current biennium is to maintain 90 percent of all highway pavement types at a pavement condition index of 40 or better with no more than 10 percent of its highways at a pavement condition index below 40. The most recent assessment found that state highways were within the prescribed parameters with only 9 percent of all pavement types with a pavement condition index below 40.

WSDOT manages state-owned bridges using the Washington State Bridge Inventory System (WSBIS). While WSDOT has a 20-year goal of no structurally deficient bridges, the policy for the current biennium is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound. The most recent assessment found that state-owned bridges were within the prescribed parameters with 96.7 percent having a condition rating of fair or better and only 3.3 percent of bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic. WSDOT does not have any closed bridges at the present time.

WSDOT owns and maintains eight emergency airfields. All but one are acceptable for general recreational use or a higher standard of use. The one airfield not up to that minimum standard is maintained as a limited search and rescue forward operating location only, and is expected to remain at that condition level.

Commitments made for infrastructure projects that extend beyond the current fiscal year to Fiscal Year 2003 amount to \$801 million, representing 1,273 projects.

Bond debt. At the end of Fiscal Year 2002, the state of Washington had total bond debt outstanding of \$8.7 billion, an increase of 7% over Fiscal Year 2001. Three times during the year, the state issued general obligation debt, totaling \$1 billion, for various capital and transportation projects as well as for refunding purposes. The state ranked 24th in amount financed by municipal issuers in 2001, according to *The Bond Buyer's 2002 Yearbook*.

Of the bond debt, \$8.3 billion is backed by the full faith and credit of the state; the balance is revenue bond debt issued by state institutions of higher education that is secured by specific sources of revenue.

State of Washington's Bond Debt

(in millions of dollars)

	Governmental Activities	Business-type Activities	Total
General obligation (GO) bonds	\$ 7,997	\$ 187	\$ 8,184
Accreted interest on zero interest rate GO bonds	152	15	167
Revenue bonds	-	328	328
Total	<u>\$ 8,149</u>	<u>\$ 530</u>	<u>\$ 8,679</u>

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued, the latter being the most restrictive. For the Fiscal Year ended June 30, 2002, the maximum GO debt authorized by statutory limit was \$5.96 billion. Specific bond issues and types that are not secured by general state revenues, such as motor fuel tax and reimbursable bonds, are excluded from the limitation. The state had \$5.41 billion of debt outstanding as of June 30, 2002, that was subject to the limitation.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor and State Treasurer, the latter serving as chairman.

During the year, citing weak or slowly recovering Asian, national and state economies, rating agencies issued reassessments of the state's GO debt:

- Moody's changed the state's credit outlook from stable to negative in December 2001;
- Fitch lowered the state's rating to AA from AA+ in January 2002; and
- Standard & Poor's Rating Group (S&P) placed the state's rating on CreditWatch in March 2002. (Subsequently, in July 2002, S&P placed a negative outlook on Washington GO credit and removed it from CreditWatch).

At the end of Fiscal Year 2002, the state of Washington general obligation debt was rated Aa1 by Moody's Investor Service, AA by Fitch Ratings and AA+ by S&P.

Additional information on the state's bond debt obligations and the calculation of the legal debt limitation is presented in Note 7 beginning on page 75 of this report.

Subsequent events. The following events occurred after June 30, 2002, but are not expected to have a significant effect on the financial position or results of operations for the state of Washington. More information is available about these events in Note 13 of the financial statements on page 106.

- New debt issues, both bonds and certificates of participation for capital asset acquisition, were at normal levels.
- The state received \$450 million by securitizing a portion of its Master Tobacco Settlement Agreement in November 2002.
- Two voter-approved initiatives were approved which will reduce transportation revenues by an estimated \$9 million and increase estimated expenditures from the General Fund by \$1 million.

Economic Factors and Next Year's Budgets and Rates

- The recession that impacted the state during Fiscal Year 2002 continues into Fiscal Year 2003 and is reflected in continued unemployment levels that exceed the national average.
- The Workers' Compensation program has adopted a 29 percent rate increase effective January 2003 to bring revenues more in line with the cost of benefits paid to workers injured on the job.
- Revenue forecasts for the remainder of the 2001-03 Biennium and the 2003-05 Biennium reflect fairly static growth in General Fund revenues.

Legislative leaders and management will consider these factors in preparing the state's budget for future years.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to the Office of Financial Management, PO Box 43113, Olympia, WA 98504-3113.

Basic Financial Statements

Government-wide Financial Statements

State of Washington

Statement of Net Assets

June 30, 2002

(expressed in thousands)

	Primary Government		Total	Component units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and pooled investments	\$ 3,817,503	\$ 2,895,638	\$ 6,713,141	\$ 43,253
Taxes receivable (net of allowance)	2,435,837	4,101	2,439,938	-
Other receivables (net of allowance)	458,064	896,444	1,354,508	3,001
Internal balances (net)	17,715	(17,715)	-	-
Due from other governments	1,943,015	96,637	2,039,652	-
Inventories	74,210	67,662	141,872	-
Investments, noncurrent	2,795,920	9,383,020	12,178,940	16,216
Other assets	139,751	78,890	218,641	15,488
Capital assets (Note 6):				
Non-depreciable assets	13,402,912	324,962	13,727,874	420,035
Depreciable assets, net of depreciation	5,553,690	789,740	6,343,430	70,234
Total capital assets, net of depreciation	18,956,602	1,114,702	20,071,304	490,269
Total Assets	30,638,617	14,519,379	45,157,996	568,227
LIABILITIES				
Accounts payable	875,171	102,054	977,225	1,353
Contracts and retainage payable	66,845	26,281	93,126	19,190
Accrued liabilities	390,636	228,005	618,641	146
Obligations under securities lending	850,522	830,357	1,680,879	-
Due to other governments	690,181	3,248	693,429	-
Deferred revenue	131,335	44,058	175,393	191
Long-term liabilities (Note 7):				
Due within one year	684,429	1,561,163	2,245,592	-
Due in more than one year	8,806,654	14,898,684	23,705,338	39,073
Total Liabilities	12,495,773	17,693,850	30,189,623	59,953
NET ASSETS				
Invested in capital assets, net of related debt	8,253,041	355,099	8,608,140	436,045
Restricted for:				
Unemployment compensation	-	1,883,659	1,883,659	-
Other purposes	126,755	-	126,755	14,939
Capital projects	172,671	-	172,671	-
Expendable permanent fund principal	575,999	-	575,999	-
Nonexpendable permanent endowments	1,277,718	-	1,277,718	-
Unrestricted (deficit)	7,736,660	(5,413,229)	2,323,431	57,290
Total Net Assets	\$ 18,142,844	\$ (3,174,471)	\$ 14,968,373	\$ 508,274

The notes to the financial statements are an integral part of this statement.

State of Washington

Statement of Activities

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 997,323	\$ 439,379	\$ 211,725	\$ 12,506
Education--elementary and secondary (K-12)	5,747,105	6,345	516,188	-
Education--higher education	3,920,238	986,369	1,027,898	7,002
Human services	8,903,527	523,313	4,704,368	-
Adult corrections	600,331	12,960	6,260	5,379
Natural resources and recreation	563,687	361,866	121,626	16,876
Transportation	1,263,740	576,129	44,101	507,828
Intergovernmental-grants	349,620	-	-	-
Interest on long term debt	578,339	-	-	-
Total governmental activities	22,923,910	2,906,361	6,632,166	549,591
Business-type Activities:				
Workers' compensation	2,146,567	1,069,592	7,432	-
Unemployment compensation	1,871,784	1,161,009	248,395	-
Health insurance programs	809,910	823,482	-	-
Higher education student services	994,047	982,200	12,870	-
Other	923,783	950,334	79	-
Total business-type activities	6,746,091	4,986,617	268,776	-
Total Primary Government	\$ 29,670,001	\$ 7,892,978	\$ 6,900,942	\$ 549,591
Total Component Units	\$ 11,311	\$ 10,054	\$ 55,297	\$ -

General revenues:

Taxes - sales and use taxes

Taxes - business and occupation taxes

Taxes - property

Taxes - other

Contributions to endowments

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before transfers

Transfers

Change in net assets

Net assets -- beginning

Net assets -- ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (333,713)	\$ -	\$ (333,713)	
(5,224,572)	-	(5,224,572)	
(1,898,969)	-	(1,898,969)	
(3,675,846)	-	(3,675,846)	
(575,732)	-	(575,732)	
(63,319)	-	(63,319)	
(135,682)	-	(135,682)	
(349,620)	-	(349,620)	
(578,339)	-	(578,339)	
(12,835,792)	-	(12,835,792)	
-	(1,069,543)	(1,069,543)	
-	(462,380)	(462,380)	
-	13,572	13,572	
-	1,023	1,023	
-	26,630	26,630	
-	(1,490,698)	(1,490,698)	
(12,835,792)	(1,490,698)	(14,326,490)	
			\$ 54,040
5,879,288	-	5,879,288	1,264
1,934,013	-	1,934,013	-
1,426,242	-	1,426,242	-
2,790,789	82,703	2,873,492	-
29,309	-	29,309	-
189,260	613,213	802,473	3,470
12,248,901	695,916	12,944,817	4,734
(586,891)	(794,782)	(1,381,673)	58,774
147,826	(147,826)	-	-
(439,065)	(942,608)	(1,381,673)	58,774
18,581,909	(2,231,863)	16,350,046	449,500
\$ 18,142,844	\$ (3,174,471)	\$ 14,968,373	\$ 508,274

Fund Financial Statements

GOVERNMENTAL FUNDS Balance Sheet

June 30, 2002

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Assets:					
Cash and pooled investments	\$ 355,538	\$ 50,675	\$ 238,587	\$ 3,049,781	\$ 3,694,581
Investments	-	755,032	1,807,740	199,395	2,762,167
Taxes receivable (net of allowance)	2,348,486	-	-	87,351	2,435,837
Other receivables (net of allowance)	216,462	120,132	31,580	225,229	593,403
Due from other funds	665,164	81,728	10	335,091	1,081,993
Due from other governments	710,243	84,111	-	1,109,175	1,903,529
Inventories	18,682	8,023	-	28,448	55,153
Total Assets	\$ 4,314,575	\$ 1,099,701	\$ 2,077,917	\$ 5,034,470	\$ 12,526,663
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 627,181	\$ 32,567	\$ -	\$ 184,359	\$ 844,107
Contracts and retainages payable	11,054	464	1,484	53,021	66,023
Accrued liabilities	112,228	124,355	11,105	70,506	318,194
Obligations under security lending agreements	244,455	99,272	191,884	312,818	848,429
Due to other funds	694,731	20,919	174,041	689,000	1,578,691
Due to other governments	74,009	15,908	-	79,604	169,521
Deferred revenues	1,198,682	110,228	9,236	235,826	1,553,972
Claims and judgments payable, current	14,677	-	-	1,059	15,736
Total Liabilities	2,977,017	403,713	387,750	1,626,193	5,394,673
Fund Balances:					
Reserved for:					
Encumbrances	38,881	128,812	-	641,639	809,332
Inventories	14,913	8,023	-	28,448	51,384
Permanent funds	-	-	1,690,167	163,550	1,853,717
Other specific purposes	37,237	118,273	-	1,095,815	1,251,325
Unreserved, designated for:					
Working capital	848,153	-	-	-	848,153
Unrealized gains	-	328	-	2,015	2,343
Debt service	-	-	-	101,557	101,557
Other specific purposes	-	155,679	-	137	155,816
Unreserved, undesignated	398,374	284,873	-	-	683,247
Unreserved, undesignated reported in nonmajor:					
Special Revenue Funds	-	-	-	1,343,467	1,343,467
Capital Projects Funds	-	-	-	31,649	31,649
Total Fund Balances	1,337,558	695,988	1,690,167	3,408,277	7,131,990
Total Liabilities and Fund Balances	\$ 4,314,575	\$ 1,099,701	\$ 2,077,917	\$ 5,034,470	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,643,417
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds.	1,423,077
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(37,213)
Long-term liabilities, including bonds payable and interest, are not due and payable in the current period and, therefore, not reported in the funds.	(9,018,427)

Net assets of governmental activities \$ 18,142,844

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Revenues:					
Retail sales and use taxes	\$ 5,843,202	\$ -	\$ -	\$ 36,087	\$ 5,879,289
Business and occupation taxes	1,889,325	-	-	44,687	1,934,012
Property taxes	1,293,130	-	-	133,112	1,426,242
Excise taxes	431,073	-	-	70,725	501,798
Motor vehicle and fuel taxes	-	-	-	742,699	742,699
Other taxes	885,437	-	-	544,965	1,430,402
Licenses, permits, and fees	75,478	481	-	536,353	612,312
Timber sales	3,646	-	9,071	92,308	105,025
Other contracts and grants	217,351	376,653	-	17,825	611,829
Federal grants-in-aid	5,130,946	659,125	-	784,224	6,574,295
Charges for services	35,060	848,106	-	386,746	1,269,912
Investment income	19,628	32,941	5,211	131,405	189,185
Miscellaneous revenue	81,709	69,057	4,126	591,069	745,961
Contribution and donations	-	-	36,611	-	36,611
Total Revenues	15,905,985	1,986,363	55,019	4,112,205	22,059,572
Expenditures:					
Current:					
General government	526,599	-	-	343,535	870,134
Human services	8,303,812	-	-	1,035,253	9,339,065
Natural resources and recreation	262,934	-	-	377,058	639,992
Transportation	28,628	630	-	1,253,840	1,283,098
Education	6,777,776	1,776,133	-	447,854	9,001,763
Intergovernmental	23,103	-	-	326,517	349,620
Capital outlays	57,470	74,070	-	1,074,060	1,205,600
Debt service:					
Principal	10,525	6,446	-	411,946	428,917
Interest	1,640	4,060	-	395,865	401,565
Total Expenditures	15,992,487	1,861,339	-	5,665,928	23,519,754
Excess of Revenues Over (Under) Expenditures	(86,502)	125,024	55,019	(1,553,723)	(1,460,182)
Other Financing Sources (Uses):					
Bonds issued	-	-	-	929,495	929,495
Refunding bonds issued	-	-	-	87,975	87,975
Payment to refunded bond escrow agent	-	-	-	(92,003)	(92,003)
Notes issued	7,039	2,298	-	605	9,942
Bond issue premium (discount)	-	-	-	12,268	12,268
Transfers in	675,759	148,964	208,318	1,725,310	2,758,351
Transfers (out)	(740,324)	(365,074)	(92,199)	(1,416,078)	(2,613,675)
Total Other Financing Sources (Uses)	(57,526)	(213,812)	116,119	1,247,572	1,092,353
Net change in fund balances	(144,028)	(88,788)	171,138	(306,151)	(367,829)
Fund Balances - Beginning, as restated	1,481,586	784,776	1,519,029	3,714,428	7,499,819
Fund Balances - Ending	\$ 1,337,558	\$ 695,988	\$ 1,690,167	\$ 3,408,277	\$ 7,131,990

The notes to the financial statements are an integral part of this statement.

State of Washington

Reconciliation of Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

Net change in fund balances--total governmental funds \$ (367,829)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	964,967	
Depreciation expense	(412,304)	
Excess of capital outlay over depreciation expense		552,663

Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Bonds and bond anticipation notes issued	(929,495)	
Refunding bonds issued	(87,975)	
Total bond proceeds		(1,017,470)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(22,850)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	428,917	
Capital lease payments	5,468	
Payments to the bond refunding agent	92,003	
Total long-term debt repayment		526,388

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.

(119,282)

Because some revenues will not be collected for several months after the State's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred revenues increased by this amount this year.

246,869

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net increase in accrued interest	(178,417)	
Interest accreted on capital appreciation debt	9,214	
Increase in miscellaneous liabilities	(35,109)	
Increase in compensated absences	(21,711)	
Increase in claims and judgments	(11,531)	
Total additional expenditures		(237,554)

Change in net assets of governmental activities		\$ (439,065)
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The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

Statement of Fund Net Assets

June 30, 2002

(expressed in thousands)

(expressed in thousands)	Business-Type Activities Enterprise Funds			Governmental Activities	
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current Assets:					
Cash and pooled investments	\$ 3,316	\$ 1,495,373	\$ 494,245	\$ 1,992,934	\$ 117,018
Investments	817,368	-	85,337	902,705	2,202
Taxes receivable (net of allowance)	-	-	4,101	4,101	-
Other receivables (net of allowance)	424,093	342,367	129,984	896,444	2,522
Due from other funds	1,365	4,249	41,599	47,213	53,396
Due from other governments	449	45,954	49,950	96,353	6,112
Inventories	193	-	67,468	67,661	19,056
Prepaid expenses	1	-	7,699	7,700	1,893
Total Current Assets	1,246,785	1,887,943	880,383	4,015,111	202,199
Noncurrent Assets:					
Investments, noncurrent	8,535,515	-	847,504	9,383,019	37,457
Other noncurrent assets	-	-	71,192	71,192	-
Capital Assets:					
Land	3,240	-	21,014	24,254	1,458
Buildings	62,446	-	968,945	1,031,391	69,116
Other improvements and miscellaneous	1,288	-	59,592	60,880	23,727
Furnishings and equipment	25,838	-	259,722	285,560	526,668
Accumulated depreciation	(31,687)	-	(556,404)	(588,091)	(314,171)
Construction in progress	-	-	300,708	300,708	6,386
Total Noncurrent Assets	8,596,640	-	1,972,273	10,568,913	350,641
Total Assets	\$ 9,843,425	\$ 1,887,943	\$ 2,852,656	\$ 14,584,024	\$ 552,840
Liabilities					
Current Liabilities:					
Accounts payable	\$ 5,090	\$ -	\$ 96,964	\$ 102,054	\$ 31,065
Contracts and retainages payable	2,054	-	24,226	26,280	815
Accrued liabilities	122,434	-	168,294	290,728	16,651
Obligations under security lending agreements	817,368	-	12,989	830,357	2,095
Bonds and notes payable	2,581	-	54,670	57,251	5,470
Due to other funds	4,315	3	61,027	65,345	28,019
Due to other governments	-	34	2,514	2,548	219
Deferred revenues	15,368	-	28,690	44,058	440
Claims and judgments payable, current	1,357,766	-	47,980	1,405,746	68,049
Total Current Liabilities	2,326,976	37	497,354	2,824,367	152,823
Non-Current Liabilities:					
Claims and judgments payable, long-term	13,525,333	-	2,016	13,527,349	366,861
Bonds and notes payable	45,496	-	656,858	702,354	54,215
Other long-term liabilities	10,105	-	694,320	704,425	16,154
Total Non-Current Liabilities	13,580,934	-	1,353,194	14,934,128	437,230
Total Liabilities	15,907,910	37	1,850,548	17,758,495	590,053
Net Assets:					
Invested in capital assets, net of related debt	13,048	-	356,858	369,906	253,500
Restricted for:					
Unemployment compensation	-	1,887,906	-	1,887,906	-
Unrestricted	(6,077,533)	-	645,250	(5,432,283)	(290,713)
Total Net (Deficit) Assets	\$ (6,064,485)	\$ 1,887,906	\$ 1,002,108	\$ (3,174,471)	\$ (37,213)

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS **Statement of Revenues, Expenses,** **and Changes in Fund Net Assets**

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	Total	
Operating Revenues:					
Sales	\$ -	\$ -	\$ 507,420	\$ 507,420	\$ 128,461
Less: Cost of goods sold	-	-	355,787	355,787	112,391
Gross profit	-	-	151,633	151,633	16,070
Charges for services	37	-	875,336	875,373	497,420
Premiums and assessments	1,042,909	972,849	823,441	2,839,199	69,505
Lottery ticket proceeds	-	-	438,600	438,600	-
Miscellaneous revenue	26,944	188,160	88,244	303,348	25,781
Total Operating Revenues	1,069,890	1,161,009	2,377,254	4,608,153	608,776
Operating Expenses:					
Salaries and wages	106,964	-	453,440	560,404	205,989
Employee benefits	25,169	-	79,933	105,102	44,862
Personal services	2,507	-	38,650	41,157	17,485
Goods and services	60,783	-	447,410	508,193	248,650
Travel	2,828	-	14,950	17,778	3,056
Premiums and claims	1,939,151	1,871,783	786,548	4,597,482	167,383
Lottery prize payments	-	-	282,246	282,246	-
Depreciation and amortization	970	-	52,563	53,533	53,498
Miscellaneous expenses	5,538	-	110,650	116,188	10,397
Total Operating Expenses	2,143,910	1,871,783	2,266,390	6,282,083	751,320
Operating Income (Loss)	(1,074,020)	(710,774)	110,864	(1,673,930)	(142,544)
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	435,356	112,794	65,063	613,213	2,582
Interest expense	(2,657)	-	(76,529)	(79,186)	(3,030)
Distributions to other governments	-	-	(29,033)	(29,033)	-
Other revenue (expenses)	7,134	248,395	118,625	374,154	4,711
Total Nonoperating Revenues (Expenses)	439,833	361,189	78,126	879,148	4,263
Income (Loss) Before Contributions and Transfers	(634,187)	(349,585)	188,990	(794,782)	(138,281)
Capital Contributions	-	-	-	-	3,488
Transfers in	235,340	-	153,992	389,332	34,709
Transfers (out)	(239,462)	-	(297,696)	(537,158)	(19,198)
Net Contributions and Transfers	(4,122)	-	(143,704)	(147,826)	18,999
Change in Net Assets	(638,309)	(349,585)	45,286	(942,608)	(119,282)
Net Assets - Beginning, as restated	(5,426,176)	2,237,491	956,822	(2,231,863)	82,069
Net Assets - Ending	\$ (6,064,485)	\$ 1,887,906	\$ 1,002,108	\$ (3,174,471)	\$ (37,213)

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

Statement of Cash Flows

Continued

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds		Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers	\$ 1,056,314	\$ 947,817	\$ 2,635,398	\$ 4,639,529	\$ 697,898
Payments to suppliers	(1,394,495)	(1,881,650)	(2,001,784)	(5,277,929)	(427,172)
Payments to employees	(131,786)	-	(528,505)	(660,291)	(250,763)
Other receipts (payments)	26,945	188,160	88,245	303,350	25,780
Net Cash Provided (Used) by Operating Activities	(443,022)	(745,673)	193,354	(995,341)	45,743
Cash Flows from Noncapital Financing Activities:					
Transfers in	235,340	-	153,992	389,332	34,709
Transfers out	(239,462)	-	(297,696)	(537,158)	(19,198)
Operating grants and donations received	7,952	223,924	10,256	242,132	52
Taxes and license fees collected	6	-	101,370	101,376	-
Distributions to other governments	-	-	(29,033)	(29,033)	-
Other noncapital financing activity	4	-	220	224	(104)
Net Cash Provided (Used) by Noncapital Financing Activities	3,840	223,924	(60,891)	166,873	15,459
Cash Flows from Capital and Related Financing Activities:					
Interest paid	(2,656)	-	(35,264)	(37,920)	(3,074)
Principal payments on long-term capital financing	(2,451)	-	(39,120)	(41,571)	(5,716)
Proceeds from long-term capital financing	29	-	90,701	90,730	13,037
Proceeds from sale of capital assets	19	-	2,183	2,202	9,983
Acquisitions of capital assets	(1,090)	-	(115,276)	(116,366)	(51,641)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(6,149)	-	(96,776)	(102,925)	(37,411)
Cash Flows from Investing Activities:					
Receipt of interest	436,288	113,123	25,814	575,225	2,710
Proceeds from sale of investment securities	(4,639,769)	-	1,155,464	(3,484,305)	2,503
Purchases of investment securities	4,637,329	-	(1,166,461)	3,470,868	(41)
Net Cash Provided by (Used in) Investing Activities	433,848	113,123	14,817	561,788	5,172
Net Increase (Decrease) in Cash and Pooled Investments	(11,483)	(408,626)	50,504	(369,605)	28,963
Cash and Pooled Investments, July 1	14,799	1,903,999	443,741	2,362,539	88,055
Cash and Pooled Investments, June 30	\$ 3,316	\$ 1,495,373	\$ 494,245	\$ 1,992,934	\$ 117,018
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (1,074,020)	\$ (710,774)	\$ 110,864	\$ (1,673,930)	\$ (142,544)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation	970	-	52,563	53,533	53,498
Provision for uncollectible accounts	5,318	2,276	4,719	12,313	5
Change in Assets: Decrease (Increase)					
Receivables (net of allowance)	8,913	(27,309)	(9,781)	(28,177)	2,520
Inventories	(15)	-	(1,563)	(1,578)	539
Prepaid expenses	8	-	(1,263)	(1,255)	112
Change in Liabilities: Increase (Decrease)					
Payables	615,804	(9,866)	37,815	643,753	131,613
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ (443,022)	\$ (745,673)	\$ 193,354	\$ (995,341)	\$ 45,743

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

Statement of Cash Flows

Concluded

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Business Type Activities Enterprise Funds			Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds		Internal Service Funds
Noncash Investing, Capital and Financing Activities:					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ 3,488
Noncash portion of prior period adjustments	-	-	(32,116)	(32,116)	(32,534)
Amortization of long-term lotto prize liability	-	-	37,001	37,001	-
Increase (decrease) in fair value of investments	(932)	(329)	38,976	37,715	100
Refunding bonds issued	-	-	32,260	32,260	-
Refunded bonds redeemed	-	-	(31,590)	(31,590)	-
Net change in deferred gain on refunding activity	-	-	(490)	(490)	-
Accretion of interest on zero coupon bonds	-	-	2,858	2,858	-

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Statement of Fiduciary Net Assets

June 30, 2002

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Assets:				
Cash and pooled investments	\$ 72,602	\$ 4,442,148	\$ 32,952	\$ 142,629
Investments	392	919,117	-	1,519
Other receivables (net of allowance)	298,916	105,753	209,915	53,845
Due from other funds	12,652	-	7,725	518,774
Due from other governments	2,261	-	22,969	25,868
Prepaid expenses	8	-	-	-
Total Current Assets	386,831	5,467,018	273,561	742,635
Noncurrent Assets:				
Investments, noncurrent	28,285	683,155	44,202,839	21,363
Other noncurrent assets	146	-	-	75,139
Capital Assets:				
Land	776	-	-	-
Buildings	7,949	-	-	-
Furnishings and equipment	7,730	-	-	-
Accumulated depreciation	(7,917)	-	-	-
Construction in progress	2,267	-	-	-
Total Noncurrent Assets	39,236	683,155	44,202,839	96,502
Total Assets	\$ 426,067	\$ 6,150,173	\$ 44,476,400	\$ 839,137
Liabilities:				
Accounts payable	\$ 1,225	\$ -	\$ -	\$ 8,504
Contracts and retainages payable	3	-	-	15,771
Accrued liabilities	17,316	51,549	65,812	290,769
Obligations under security lending agreements	211	683,156	3,041,737	15,052
Due to other funds	2,177	53	10,159	37,309
Due to other governments	161	-	-	391,223
Deferred revenues	179,856	-	-	-
Other long-term liabilities	22,705	-	-	80,509
Total Liabilities	223,654	734,758	3,117,708	\$ 839,137
Net Assets:				
Net assets held in trust for:				
Pension benefits	-	-	40,005,772	
Deferred compensation participants	-	-	1,352,920	
Local government pool participants	-	5,415,415	-	
Individuals, organizations & other governments	202,413	-	-	
Total Net Assets	\$ 202,413	\$ 5,415,415	\$ 41,358,692	

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
Additions:			
Contributions:			
Employers	\$ -	\$ -	\$ 262,314
Members	-	-	409,882
State	-	-	25,071
Pool participants	-	12,182,766	119,078
Total Contributions	-	12,182,766	816,345
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	(4,077,559)
Interest and dividends	24,626	142,706	1,177,984
Less: Investment expenses	-	-	(93,139)
Net Investment Income	24,626	142,706	(2,992,714)
Transfers from other pension plans	-	-	49,749
Other additions:			
Charges for services	41,152	-	12,062
Federal grants-in-aid	161,602	-	-
Other contracts, grants and miscellaneous	119,660	-	1,014
Total other additions	322,414	-	13,076
Total Additions	347,040	12,325,472	(2,113,544)
Deductions:			
Pension benefits	-	-	1,763,046
Pension refunds	-	-	97,475
Transfers to other pension plans	-	-	49,749
Administrative expenses	28,042	6,982	16,505
Distributions to pool participants	-	11,893,642	77,602
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	306,736	-	-
Total Deductions	334,778	11,900,624	2,004,377
Net Increase (Decrease) Before Transfers	12,262	424,848	(4,117,921)
Transfers in	50,620	-	-
Transfers (out)	(62,981)	-	-
Net Increase (Decrease)	(99)	424,848	(4,117,921)
Net Assets - Beginning, as restated	202,512	4,990,567	45,476,613
Net Assets - Ending	\$ 202,413	\$ 5,415,415	\$ 41,358,692

The notes to the financial statements are an integral part of this statement.

COMPONENT UNITS

Statement of Fund Net Assets

June 30, 2002

(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Totals
Assets			
Current Assets:			
Cash and pooled investments	\$ 7,567	\$ 2,380	\$ 9,947
Investments	-	33,306	33,306
Other receivables (net of allowance)	143	2,858	3,001
Prepaid expenses	48	218	266
Total Current Assets	7,758	38,762	46,520
Noncurrent Assets:			
Investments, noncurrent	14,939	1,277	16,216
Other noncurrent assets	-	15,222	15,222
Capital Assets:			
Land	34,677	-	34,677
Buildings	73,726	-	73,726
Furnishings and equipment	3,086	1,041	4,127
Accumulated depreciation	(6,957)	(662)	(7,619)
Construction in Process	385,358	-	385,358
Total Noncurrent Assets	504,829	16,878	521,707
Total Assets	\$ 512,587	\$ 55,640	\$ 568,227
Liabilities			
Current Liabilities:			
Accounts payable	\$ 171	\$ 1,182	\$ 1,353
Contracts and retainages payable	19,190	-	19,190
Accrued liabilities	83	63	146
Deferred revenues	-	191	191
Total Current Liabilities	19,444	1,436	20,880
Non-Current Liabilities:			
Other long-term liabilities	35,034	4,039	39,073
Total Non-Current Liabilities	35,034	4,039	39,073
Total Liabilities	54,478	5,475	59,953
Net Assets:			
Invested in capital assets, net of related debt	435,666	379	436,045
Restricted for deferred sales tax	14,939	-	14,939
Unrestricted	7,504	49,786	57,290
Total Net (Deficit) Assets	\$ 458,109	\$ 50,165	\$ 508,274

The notes to the financial statements are an integral part of this statement.

COMPONENT UNITS

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
Operating Revenues:			
Charges for services	\$ 450	\$ 9,604	\$ 10,054
Total Operating Revenues	450	9,604	10,054
Operating Expenses:			
Salaries and wages	647	3,309	3,956
Employee benefits	90	804	894
Personal services	-	428	428
Goods and services	621	2,804	3,425
Travel	-	16	16
Depreciation and amortization	2,374	134	2,508
Miscellaneous expenses	-	84	84
Total Operating Expenses	3,732	7,579	11,311
Operating Income (Loss)	(3,282)	2,025	(1,257)
Nonoperating Revenues (Expenses):			
Earnings (loss) on investments	1,340	2,581	3,921
Sales tax	1,264	-	1,264
Interest expense	-	(451)	(451)
Total Nonoperating Revenues (Expenses)	2,604	2,130	4,734
Net Income (Loss) before Contributions	(678)	4,155	3,477
Contributions of capital	55,260	37	55,297
Change in Net Assets	54,582	4,192	58,774
Net Assets - Beginning, as restated	403,527	45,973	449,500
Net Assets - Ending	\$ 458,109	\$ 50,165	\$ 508,274

The notes to the financial statements are an integral part of this statement.

COMPONENT UNITS

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 329	\$ 8,948	\$ 9,277
Payments to suppliers	(601)	(4,044)	(4,645)
Payments to employees	(752)	(4,116)	(4,868)
Net Cash and Pooled Investments Provided (Used) in Operating Activities	(1,024)	788	(236)
Cash Flows from Noncapital Financing Activities:			
Taxes and license fees collected	1,264	-	1,264
Other noncapital financing activity	-	(2,004)	(2,004)
Net Cash and Pooled Investments Provided (Used) in Noncapital Financing Activities	1,264	(2,004)	(740)
Cash Flows from Capital and Related Financing Activities:			
Interest paid	10	(451)	(441)
Capital contributions	55,260	37	55,297
Proceeds from long-term capital financing	3,743	-	3,743
Acquisitions of capital assets	(126,789)	(513)	(127,302)
Net Cash and Pooled Investments Provided (Used) in Capital and Related Financing Activities	(67,776)	(927)	(68,703)
Cash Flows from Investing Activities:			
Investment income	1,340	2,481	3,821
Proceeds from sale of investment securities	-	463	463
Purchases of investment securities	(1,353)	(3,010)	(4,363)
Net Cash Provided (Used) in Investing Activities	(13)	(66)	(79)
Net Increase (Decrease) in Cash and Pooled Investments	(67,549)	(2,209)	(69,758)
Cash and Pooled Investments, July 1	75,116	4,589	79,705
Cash and Pooled Investments, June 30	\$ 7,567	\$ 2,380	\$ 9,947
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (3,282)	\$ 2,025	\$ (1,257)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	2,374	134	2,508
Change in Assets: Decrease (Increase)			
Receivables (net of allowance)	(121)	(611)	(732)
Prepaid expenses	(30)	(189)	(219)
Change in Liabilities: Increase (Decrease)			
Payables	35	(571)	(536)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ (1,024)	\$ 788	\$ (236)
Noncash investing, capital, and financing activities:			
Noncash activity included increase (decrease) in fair value of investments.		\$ (25)	\$ (25)

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

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Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. For government-wide and enterprise fund reporting, the state follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. The more significant of the state's accounting policies follow.

A. Reporting Entity

In evaluating how to define the state of Washington, for financial reporting purposes, management has considered: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Financial accountability is manifest when the primary government appoints a voting majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government.

Based on this criteria, the following are included in the financial statements of the primary government:

STATE AGENCIES - Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, and councils (agencies) and all funds and account groups of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor.

Additionally, a small number of board positions are established by statute or independently elected. The state Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets reside with the state.

COLLEGES AND UNIVERSITIES - The governing boards of the five state universities, the state college, and the 33 state community and technical colleges are appointed by the Governor. Each college's governing board appoints a president to function as chief administrator. The state Legislature approves budgets and budget amendments for the colleges' appropriated funds, which include the state's General Fund as well as certain capital projects funds. The state Treasurer issues general obligation debt for major campus construction projects. However, the colleges are authorized to issue revenue bonds for construction of facilities for certain revenue generating activities such as housing, dining, and parking. These revenue bonds are payable solely from and secured by fees and revenues derived from the operation of constructed facilities; the legal liability for the bonds and the ownership of the college assets reside with the state. Colleges do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges are legally part of the state, their financial operations, including their blended component units, are reported in the primary government financial statements using the fund structure prescribed by GASB, not discretely reported according to the fund structure of the American Institute of Certified Public Accountants college and university reporting model.

RETIREMENT SYSTEMS - The state of Washington, through the Department of Retirement Systems, administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Judicial Retirement System, and the Judges Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

There are two additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' Relief and Pension Fund is administered through the Board for Volunteer Fire Fighters, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrator for the Courts under the direction of the Board for Judicial Administration.

The state Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems together with the state provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All ten of the aforementioned retirement systems are included in the primary government's financial statements.

COMPONENT UNITS - Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The following are discretely presented in the financial statements of the state in the component units column:

The WASHINGTON STATE HOUSING FINANCE COMMISSION, the WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY, the WASHINGTON HEALTH CARE FACILITIES AUTHORITY, and the WASHINGTON ECONOMIC DEVELOPMENT FINANCE AUTHORITY (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations, including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

The financing authorities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 - 11th Avenue SE, Suite 201
PO Box 40935
Olympia, WA 98504-0935

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

The WASHINGTON STATE PUBLIC STADIUM AUTHORITY (PSA) was created by the Legislature to acquire, construct, own, and operate a stadium, exhibition center, and parking garage. The state has budget approval authority over a majority of PSA's funding sources. Further, conditioned upon certain events occurring, the state is authorized to issue and has issued general obligation bonds to participate in the funding of project construction costs. Under statute, the state's share of the total project cost is capped at \$300 million. Project costs in excess of \$300 million are the responsibility of the project's private partner, First & Goal, Inc. The bonds will be repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility. Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
401 Second Avenue South, Suite 520
Seattle, WA 98104-0280

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Assets and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed

in whole or in part by fees charged to external parties for goods and services.

Statement of Net Assets – The Statement of Net Assets presents the state’s non-fiduciary assets and liabilities. As a general rule, balances between governmental and business-type activities are eliminated.

Assets and liabilities are presented in a net assets format in order of liquidity. Net assets are classified into three categories:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net assets results when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

Statement of Activities - The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific program. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally the effect of internal activities is eliminated. Exceptions to this rule include charges between the health insurance and workers’ compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The State uses 501 accounts that are combined into 55 rollup funds. The State presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state’s primary operating fund. This fund is used to account for all financial resources and transactions not required to be accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for grants and contracts received for research and other educational purposes. This fund also accounts for charges for services by state institutions of higher education.
- **Higher Education Endowment Fund** is used by the state to account for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the funds.

Major Enterprise Funds:

- **Workers’ Compensation Fund** is used to account for the workers’ compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** is used to account for the unemployment compensation program. It accounts for the deposit of funds requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state, and to pay unemployment benefits.

The state includes the following governmental and proprietary fund types within nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** are used to account for a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of non-interstate highway system; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** are used by the state to account for the accumulation of resources for, and the payment of, principal and interest on the state's general obligation bonds.
- **Capital Projects Funds** are used to account for the acquisition, construction, and remodeling of public buildings including higher education facilities.
- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** are used to account for the state's business type operations including: the health insurance program; student housing and dining, parking and bookstore operations; the state lottery; state liquor stores; the guaranteed tuition and college savings program; and the convention and trade center.
- **Internal Service Funds** are used to account for the provision of legal, motor pool, data processing, risk management, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

The state reports the following fiduciary funds:

- **Pension (and other employee benefit) Trust Funds** - are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.
- **Local Government Investment Pool (LGIP)** is used to report the external portion of LGIP, which is reported, by the state as the sponsoring government.

- **Private-Purpose Trust Funds** are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. Examples include administration of student grant and loan programs and unclaimed property.
- **Agency Funds** - are used to account for resources held by the state in a purely custodial capacity for other governments, private organizations or individuals.

Operating and Non-operating Revenues and Expenses - The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums collected and investment earnings. Operating expenses consist of the claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

Application of Restricted/Unrestricted Resources -

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Measurement Focus and Basis of Accounting

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collected within 60 days. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure driven grant agreements are recognized when the qualifying expenditures are made. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue, if collected within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by deferred revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are recognized when the related fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term obligations which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The state reports deferred revenues on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and the “available” criteria for revenue recognition in the current period. Deferred revenues also arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to the incurrence of qualifying expenditures.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets. Net assets are

presented as 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. General Budgetary Policies and Procedures

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedules presented as Required Supplementary Information (RSI) are not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedules extremely cumbersome. Section 2400.112 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases. For the state of Washington, a separate report has been prepared for the 2001-2003 Biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in Report MFS1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113. For additional budgetary information, please refer to the notes to RSI presented later in this report.

E. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Assets, Balance Sheets and Statements of Cash Flows as “Cash and Pooled Investments.” The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments. For reporting purposes, pooled cash is stated at fair value or amortized cost, which approximates fair value. For the purposes of the Statement of Cash Flows, the state considers cash and short-term, highly-liquid investments, that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates, to be cash equivalents.

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TDD (360) 902-8963.

All other noncurrent investments are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Venture capital and leveraged buy-out investments are determined by independent investment advisors based on analysis of the audited financial statements of the underlying partnerships. For information on derivative financial instruments utilized by the state, refer to Note 3.

F. Receivables

Receivables in the state's governmental funds consist primarily of tax and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Assets, except for the net residual balance that is reported as "internal balances." Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

G. Inventories

Consumable inventories, consisting of expendable materials and supplies held for consumption, are reported in the state's financial statements if the annual balance on hand within an agency is estimated to be \$25,000 or more. Consumable inventories are generally valued at cost using the first-in, first-out method. All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Donated consumable inventories are recorded

at fair market value. Food stamps on hand are recorded at face value.

For governmental activities, inventories are recorded using the consumption method. For business-type activities, inventories are expensed when used or sold.

For governmental fund reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for \$70 thousand in food stamps and \$3.7 million in federally donated consumable inventories, both of which are offset by deferred revenues because they do not constitute a fund resource until issued or consumed.

H. Capital Assets

Except as noted below, it is the state's policy to capitalize all land; all additions and improvements to the state highway system; infrastructure, other than the state highway system, with a cost of \$100,000 or greater; and all other capital assets with a unit cost of \$5,000 or greater.

Art collections, library reserve collections, and museum and historical collections, that are considered inexhaustible in that their value does not diminish over time, are not capitalized by the state if all of the following conditions are met:

- The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Capital assets acquired by capital leases with a net present value or fair market value, whichever is less, of less than \$10,000 are not capitalized.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use. Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market value are derived by

factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In proprietary and trust fund type accounts, net interest costs (if material) incurred during the period of construction are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	5-50 years
Other improvements	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation of capital assets retired from service, or disposed of, are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets,
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale, and
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the Modified Approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Assets. Depreciation expense related to capital assets is also reported in the Statement of Activities. Capital assets and the related depreciation expense are also reported in the proprietary fund financial statements.

For governmental fund reporting, capital assets are not reported on the balance sheet. Instead, capital acquisitions and construction are reflected as expenditures in the year acquired. No depreciation is reported.

I. Compensated Absences

State employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a "sick leave buyout option" in which each January, employees who accumulate sick leave in excess of 60 days may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate unpaid compensated absence leave outstanding at June 30 with future resources rather than advance funding it with currently available expendable financial resources.

For government-wide reporting purposes, the state reports compensated absence obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Assets.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is paid. Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits as applicable, as the leave is earned.

J. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Assets. Bonds payable are reported net of applicable premium or discount. When material, bond premiums, discounts, and issue costs are deferred and amortized over the life of the bonds.

For governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report the difference between fund assets and fund liabilities as “Fund Balance.” Reserved fund balance represents that portion of fund balance that is: (1) not available for appropriation or expenditure, and/or (2) legally segregated for a specific future use. Unreserved, designated fund balance indicates tentative plans for future use of financial resources. Unreserved, undesignated fund balance represents the amount available for appropriation.

L. Insurance Activities

Workers’ Compensation

The state of Washington’s workers’ compensation program is established by Title 51 RCW. The statute requires all employers to insure payment of benefits for job related injuries and diseases through the Workers’ Compensation Fund or through self-insurance. Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers’ Compensation Fund, an enterprise fund, is used to account for the workers’ compensation program which provides time-loss, medical, disability, and pension payments to qualifying individuals sustaining work-related injuries. The main benefit plans of the workers’ compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension cost-of-living adjustments (COLA) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers’ reported payroll hours and insurance rates based on each employer’s risk classification(s) and past experience. In addition to its regular premium plans, the Workers’ Compensation Fund offers a retrospective premium rating plan under which premiums are adjusted annually for up to four years following the plan year based on individual employers’ loss experience. Initial adjustments to the standard premiums are paid to or collected from the employers approximately ten months after the end of each plan year.

The Workers’ Compensation Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation,

changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic, legal, and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Risk Management

Washington State operates a risk management liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state’s policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. A limited amount of commercial insurance is purchased for employee bonds and to limit the exposure to catastrophic losses. Otherwise, the risk management liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the risk management liability program in proportion to the anticipated exposure to liability losses.

Health Insurance

The state of Washington administers and provides medical, dental, basic life, and long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, political subdivisions and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations.

The state’s share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies. The Health Care Authority, as administrator of the health care benefits program, collects this monthly “premium” from agencies for each active employee enrolled in the program. State employees self-pay for coverage beyond the state’s contribution. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is also available on a self-paid basis to eligible retirees, former employees, and employees who are temporarily not in pay status.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. Twenty-nine percent of eligible subscribers were enrolled in the Uniform Medical Plan in Fiscal Year 2002. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator. Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

M. Interfund/Interagency Activities

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal.

Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

N. Donor-restricted Endowments

The state reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions.

Generally, the institutions use a 5% spending rate policy for authorizing and spending investment income.

The net appreciation available for authorization for expenditure by the governing board totaled \$113.9 million and is reported in the nonexpendable portion of the reserve for permanent funds.

Note 2 - Accounting and Reporting Changes

Fund equity at July 1, 2001, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2001, as previously reported	Fund Reclassification	Accounting Policy Changes	Prior Period Adjustment	Fund equity as restated, July 1, 2001
Governmental Funds:					
General	\$ 1,481,586	-	-	-	\$ 1,481,586
Higher Education Special Revenue	696,585	88,191	-	-	784,776
Higher Education Endowment	-	1,531,192	(12,163)	-	1,519,029
Nonmajor Governmental	2,899,195	818,014	-	(2,781)	3,714,428
Proprietary Funds:					
Enterprise Funds:					
Workers' Compensation	(5,426,175)	(1)	-	-	(5,426,176)
Unemployment Compensation	-	2,237,491	-	-	2,237,491
Nonmajor Enterprise Funds	968,284	20,653	-	(32,115)	956,822
Internal Service Funds:					
Nonmajor Internal Service Funds	100,481	14,121	(32,533)	-	82,069
Fiduciary Funds:					
Expendable Trust	4,676,184	(4,676,184)	-	-	-
Nonexpendable Trust	1,691,211	(1,691,211)	-	-	-
Private Purpose Trust	-	193,815	8,697	-	202,512
Local Government Investment Pool	4,990,566	1	-	-	4,990,567
Pension and Other Employee Benefit Plans	44,012,695	1,463,918	-	-	45,476,613
Component Units:					
Public Stadium	368,849	-	-	34,678	403,527
Nonmajor Component Units	45,945	-	28	-	45,973

Changes Affecting Equity

Effective for Fiscal Year 2002 reporting, the state implemented several new accounting standards issued by GASB:

Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*,

No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and

No. 38, *Certain Financial Statement Note Disclosures*.

Fund Reclassification - Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. The requirements of these statements represent a significant change in the financial reporting model used by state governments, most significantly new government-wide financial statements. In addition to government-wide financial statements, they require changes to statement formats, changes in fund types, and the elimination of account groups. As a result, certain beginning fund

balances were required to be restated for fund reclassifications.

Accounting Policy Changes – GASB Statement No. 34 required the reclassification of most nonexpendable trust funds, which were accounted for as proprietary funds, to permanent funds, which are accounted for as governmental funds. Due to this change, deferred revenue was recorded for amounts not available.

For funds that were reclassified from governmental to proprietary, the following accounting policy changes were needed:

- accrue long-term liabilities;
- record capital assets;
- recognize revenue that was previously deferred; and
- recognize prepaids that were previously expended.

Prior period adjustments – A prior period adjustment was recorded in the Motor Vehicle Account, which is a non-major special revenue fund. This adjustment of \$2.8 million properly reflects the accrual of local tax distribution, which was collected in June and distributed in July.

A prior period adjustment was recorded in the Certificates of Participation and Other Financing Fund, which is a non-major enterprise fund. The \$3.4 million adjustment is a net reduction to receivables. A \$28.7 million prior period adjustment was recorded in the Higher Education Student Services Fund, also a non-major enterprise fund, to reflect a correction of application of an accounting principle.

The Washington State Public Stadium Authority, a discrete component unit, recorded a prior period adjustment of \$34.7 million to reflect land that was conveyed from King County last year.

Note 3 - Deposits and Investments

As of June 30, 2002, the carrying amount of Washington's cash and investments was \$69.4 billion. Total cash and investments at fiscal year-end amounted to \$69.7 billion, including cash from outstanding checks and warrants. Of this amount, cash on hand amounted to

\$57.2 million, deposits with financial institutions amounted to \$766 million, and deposits in the federal Unemployment Trust Fund amounted to \$1.5 billion. The remaining \$67.3 billion represented the total carrying amount of investments.

Deposits by type, at June 30, 2002, are as follows (expressed in thousands):

Type of Deposit	Carrying Amount	Bank Balance	Insured/ Collateralized	Uninsured/ Uncollateralized
Demand deposits	\$ 66,985	\$ 208,993	\$ 207,823	\$ 1,170
Certificates of deposit	485,974	485,974	485,219	755
Cash with fiscal and escrow agents	71,159	71,069	52,172	18,897
Total Deposits	\$ 624,118	\$ 766,036	\$ 745,214	\$ 20,822

DEPOSITS - At fiscal year end, 97.3 percent of the state's deposits with financial institutions were either insured or collateralized, the remaining 2.7 percent were uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits. The Washington Public Deposit Protection Commission (PDPC) provides collateral protection. The PDPC (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

INVESTMENTS - The State Investment Board, the Office of the State Treasurer, and the University of Washington manage approximately 95 percent of the state's investing activity. Management responsibilities and investment instruments as authorized by statute follow.

STATE INVESTMENT BOARD (SIB) - Statute designates SIB as having investment management responsibility for pension funds, the Workers' Compensation Fund, permanent funds (established at statehood), and other specific funds. Pursuant to statute (Chapter 43.33A RCW) and SIB policy, SIB is authorized and invests in the following: Treasury Bills;

discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; nondollar bonds; investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, or other forms of private equity; asset backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions.

The SIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options, to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. SIB mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities

positions outstanding, and thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Consistent with the SIB authority to invest in derivatives, international active equity managers may make limited investment in financial futures, forward contracts, or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2002. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of the use, and holdings of derivative securities by passive equity index fund managers is unavailable. At June 30, 2002, the only derivative securities held directly by SIB were collateralized mortgage obligations (CMO's) of \$2.1 billion.

State law and Board policy permit the SIB to participate in securities lending transactions. The Board has entered into agreements with State Street Bank and Trust Company (SSB) to act as agent for the SIB in securities lending transactions. As SSB is the custodian bank for the SIB, it is a counterparty to securities lending transactions. Therefore, all cash collateral reinvested by SSB is reflected as Category 3 for custodial credit risk disclosure purposes.

Securities were loaned and collateralized by the SIB's agents with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities were denominated in United States dollars, or were securities whose primary trading market was located in the United States, or were sovereign debt that was issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2002 approximated \$3.9 and \$3.8 billion, respectively.

During Fiscal Year 2002, securities lending transactions could be terminated on demand by either the SIB or the borrower. The average term of overall loans was 49 days.

Cash collateral was invested by the SIBs agents in securities issued or guaranteed by the U.S. government, the SIBs short-term investment pool (average weighted maturity of 162 days), or term loans. Because the securities lending agreements were terminable at will,

their duration did not generally match the duration of the investments made with the cash collateral. Noncash collateral could not be pledged or sold absent borrower default. There are no restrictions on the amount of securities that can be lent.

Securities were loaned with the agreement that they could be returned in the future for exchange of the collateral. SSB indemnified the SIB by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. SSB responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During Fiscal Year 2002, there were no significant violations of legal or contractual provisions nor failures by any borrower to return loaned securities or to pay distributions thereon. Further, the SIB incurred no losses during Fiscal Year 2002 resulting from a default by either the borrowers or the securities lending agents.

The SIB has entered into a number of agreements that commit the state, upon request, to make additional investment purchases up to a stated amount. As of June 30, 2002, the state had the following unfunded investment commitments (expressed in thousands):

Private equity partnerships	\$ 5,743,629
Real estate	917,495

OFFICE OF THE STATE TREASURER (OST) - The OST operates the state's Cash Management Account for investing cash in excess of daily requirements. Statute authorizes the OST to buy and sell the following types of instruments: U.S. government and agency securities, banker's acceptances, commercial paper, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above.

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST, which has contracted with a lending agent to lend securities, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. At June 30,

2002, all OST securities on loan were collateralized by cash and other securities and are classified in the schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2002, the average life of both the loans and the investment of cash received as collateral was one day.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During Fiscal Year 2002, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST. Furthermore, the contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the OST's custodian in the state's name. Collateral for mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of fair value, plus accrued interest. Collateralized Mortgage Obligations (CMO) used as collateral for repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no losses during the fiscal year due to defaults. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio. At fiscal year end, the 30 percent limitation of the policy applies to a combination of securities lending and reverse repurchase agreements. During the fiscal year, the maturities of reverse repurchase agreements were matched to anticipated cash flows adequate to liquidate the agreements. On June 30,

2002, there were no obligations under reverse repurchase agreements.

UNIVERSITY OF WASHINGTON – The University's investment policies permit it to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The University's custodian lends securities of the type on loan at year-end for collateral in the form of cash or other securities. U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest. At year-end, the University has no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University. The contract with the custodian requires it to indemnify the University if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the University for income distributions by the securities' issuers while the securities are on loan. Either the University or the borrower can terminate all securities loans on demand, although the average term of overall loans is ten days. Cash collateral is invested in a short-term investment pool. The relationship between the maturities of the investment pool and the University's loans is affected by the maturities of the securities loans made by other entities that use the custodian's pool, which the University cannot determine. Non-cash collateral cannot be sold unless the borrower defaults. Securities on loan at June 30, 2002, totaled \$353 million.

The University's investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Such investments are governed by the University's Investment Policies and Guidelines, which effectively constrain their use by establishing (a) duration parameters which limit price sensitivity to interest rate fluctuations (market risk), (b) minimum quality ratings at both the security and portfolio level, and (c) a market index as a performance benchmark.

INVESTMENT ACTIVITY - The state's investments are categorized below per GASB Statement No. 3 to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured, registered, or held by the state or its agent in the state's name. Category 2 includes uninsured and unregistered investments which are held by the counterparties' trust departments or agents in the state's name. Category 3 includes uninsured and unregistered investments held by counterparties, or their trust departments or agents, but not in the state's name.

Investments at June 30, 2002, by investment type, are listed below (expressed in thousands):

Investment Type	Carrying Amount by GASB Categories			Carrying Amount	Fair Value
	1	2	3		
Corporate bonds	\$ 8,933,901	\$ 498	\$ -	\$ 8,934,399	\$ 8,934,399
Corporate stocks	2,621,629	563	-	2,622,192	2,622,192
U.S. government securities	2,905,091	-	-	2,905,091	2,905,108
Government securities	1,642,556	-	-	1,642,556	1,642,556
Collateralized mortgage obligations	3,826,993	-	-	3,826,993	3,826,991
Repurchase agreements	2,260,733	1,982	800,000	3,062,715	3,062,718
Asset backed securities	359,209	-	454,889	814,098	814,098
Commercial paper	5,964	-	248,555	254,519	254,519
Discount notes	4,185,552	-	-	4,185,552	4,185,562
Bankers' acceptances	7,608	-	-	7,608	7,608
Municipal bonds	33,001	119	-	33,120	33,135
Variable rate notes	-	-	1,057,807	1,057,807	1,057,807
Negotiable certificates of deposit	-	-	1,300,279	1,300,279	1,300,279
Other	1,315	-	-	1,315	1,315
	<u>\$ 26,783,552</u>	<u>\$ 3,162</u>	<u>\$ 3,861,530</u>	30,648,244	30,648,287
Mutual funds				3,387,353	3,387,353
Mortgages				649,185	649,185
Real estate				3,681,581	3,681,581
Private equity				5,345,585	5,345,585
Guaranteed investment contracts				467,556	467,556
Investments held by broker-dealers					
under securities lending programs:					
U.S. government securities				4,347,750	4,347,750
U.S. agency securities				163,181	163,181
Other investments				575,383	575,383
Investments held by broker-dealers					
under reverse repurchase agreements:					
U.S. government securities				3,800	3,800
U.S. instrumentality securities				2,000	2,000
Commingled investment Funds					
Foreign				3,479,364	3,479,364
Domestic				14,123,982	14,123,982
Other investment types				509,088	509,088
Total Investments				\$ 67,384,052	\$ 67,384,095

Note 4 - Receivables and Deferred Revenues

A. Governmental Funds

Taxes Receivable

Taxes receivable at June 30, 2002, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor	Total
				Governmental Funds	
Property	\$ 772,281	\$ -	\$ -	\$ 1,491	\$ 773,772
Sales	1,137,348	-	-	17,815	1,155,163
Business and occupation	412,746	-	-	-	412,746
Estate	15,729	-	-	-	15,729
Fuel	-	-	-	64,810	64,810
Other	41,724	-	-	3,530	45,254
Subtotals	2,379,828	-	-	87,646	2,467,474
Less: Allowance for uncollectible receivables	31,342	-	-	295	31,637
Total Taxes Receivable	\$ 2,348,486	\$ -	\$ -	\$ 87,351	\$ 2,435,837

Other Receivables

Other receivables at June 30, 2002, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor	Total
				Governmental Funds	
Public assistance	\$ 1,123,129	\$ -	\$ -	\$ 1,242	\$ 1,124,371
Accounts receivable	12,935	76,234	2,730	52,491	144,390
Interest	-	1,134	9,906	6,858	17,898
Loans	4,504	2,074	-	57,804	64,382
Long-term contracts	6,186	-	9,011	111,955	127,152
Miscellaneous	6,454	45,003	9,996	12,833	74,286
Subtotals	1,153,208	124,445	31,643	243,183	1,552,479
Less: Allowance for uncollectible receivables	936,746	4,313	63	17,954	959,076
Total Other Receivables	\$ 216,462	\$ 120,132	\$ 31,580	\$ 225,229	\$ 593,403

Note: Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

Deferred Revenues

Deferred revenues at June 30, 2002, consisted of the following (expressed in thousands):

Deferred Revenues	General Fund	Higher Education Special Revenue	Higher Education Endowment	Nonmajor	Total
				Governmental Funds	
Property taxes	\$ 751,661	\$ -	\$ -	\$ 525	\$ 752,186
Other taxes	379,512	-	-	16	379,528
Timber sales	3,093	-	9,010	102,530	114,633
Charges for services	12,331	12,437	-	17,375	42,143
Food stamps	70	-	-	-	70
Donable goods	3,699	-	-	-	3,699
Miscellaneous	48,316	97,791	226	115,380	261,713
Total Deferred Revenues	\$ 1,198,682	\$ 110,228	\$ 9,236	\$ 235,826	\$ 1,553,972

B. Proprietary Funds

Taxes Receivable

Taxes receivable at June 30, 2002, consisted of \$4.1 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2002, consisted of the following (expressed in thousands):

Other Receivables	Business-Type Activities			Total	Governmental
	Enterprise Funds				Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds		Internal Service Funds
Accounts receivable	\$ 32,860	\$ -	\$ 188,804	\$ 221,664	\$ 2,201
Interest	102,458	-	1,892	104,350	337
Loans	-	-	1	1	-
Miscellaneous	307,559	391,295	6,850	705,704	237
Subtotals	442,877	391,295	197,547	1,031,719	2,775
Less: Allowance for uncollectible receivables	18,784	48,928	67,563	135,275	253
Total Other Receivables	\$ 424,093	\$ 342,367	\$ 129,984	\$ 896,444	\$ 2,522

Deferred Revenues

Deferred revenues at June 30, 2002, consisted of the following (expressed in thousands):

Deferred Revenues	Business-Type Activities			Total	Governmental
	Enterprise Funds				Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds		Internal Service Funds
Charges for services	\$ -	\$ -	\$ 25,095	\$ 25,095	\$ 439
Donable goods	-	-	32	32	-
Miscellaneous	15,368	-	3,563	18,931	1
Total Deferred Revenues	\$ 15,368	\$ -	\$ 28,690	\$ 44,058	\$ 440

C. Fiduciary Funds

Other Receivables

Other receivables at June 30, 2002, consisted of the following (expressed in thousands):

Other Receivables	Private-Purpose Trust	Local		Agency Funds
		Government Investment Pool	Pension and Other Employee Benefit Plans	
Public assistance	\$ 4,236	\$ -	\$ -	\$ -
Accounts receivable	31	-	2,963	8,716
Interest	1,574	5,753	165,384	18,575
Loans	302,315	-	-	22
Miscellaneous	1,141	100,000	41,682	26,780
Subtotals	309,297	105,753	210,029	54,093
Less: Allowance for uncollectible receivables	10,381	-	114	248
Total Other Receivables	\$ 298,916	\$ 105,753	\$ 209,915	\$ 53,845

Deferred Revenues

Deferred revenues recorded in Private-Purpose Trust funds at June 30, 2002, consisted of \$490 thousand related to charges for services and \$179.4 million related to other miscellaneous revenues.

Note 5 - Interfund Balances and Transfers

A. Interfund Balances

The following balances at June 30, 2002, represent due from and due to balances among all funds and state agencies (expressed in thousands):

Due To	Due From									Totals
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General	\$ 68,708	\$ 5,189	\$ -	\$ 574,867	\$ 5	\$ -	\$ 1,466	\$ 324	\$ 14,605	\$ 665,164
Higher Educ. Special Revenue	36,526	10,194	19	2,056	33	-	15,905	15,408	1,587	81,728
Higher Education Endowment	-	-	-	-	-	-	-	-	10	10
Nonmajor Governmental Funds	217,940	521	2,534	87,637	52	-	10,714	918	14,775	335,091
Workers' Compensation	64	-	-	286	975	-	-	6	34	1,365
Unemployment Compensation	2,019	2,157	-	73	-	-	-	-	-	4,249
Nonmajor Enterprise Funds	7,897	1,858	-	72	-	-	31,159	364	249	41,599
Internal Service Funds	23,605	10	-	14,165	3,250	3	1,083	10,850	430	53,396
Fiduciary Funds	337,972	990	171,488	9,844	-	-	700	149	18,008	539,151
Totals	\$ 694,731	\$ 20,919	\$ 174,041	\$ 689,000	\$ 4,315	\$ 3	\$ 61,027	\$ 28,019	\$ 49,698	\$ 1,721,753

All interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates

that (1) interfund goods and services were provided and when the payments occurred, and (2) interfund transfers were accrued and when the liquidations occurred.

B. Interfund Transfers

Interfund transfers as reported in the financial statements reflect transfers between agencies and accounts reported within the same fund.

Net transfers between funds for the year ended June 30, 2002, consisted of the following (expressed in thousands):

Transferred From	Transferred To							Total
	General Fund	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Funds	
General Fund	\$ -	\$ 9,851	\$ -	\$ 703,732	\$ -	\$ 11,897	\$ 14,785	\$ 740,265
Higher Educ. Special Revenue	-	-	149,698	55,526	4,511	5,948	11,520	227,203
Higher Education Endowment	-	87	-	33,482	-	-	302	33,871
Nonmajor Governmental Funds	606,673	1,153	293	-	387	-	4	608,510
Workers' Compensation Fund	-	-	-	4,122	-	-	-	4,122
Nonmajor Enterprise Funds	31,273	2	-	118,279	-	-	1,101	150,655
Internal Service Funds	-	-	-	2,334	-	-	-	2,334
Private Purpose Funds	37,754	-	-	267	2,052	-	-	40,073
Total	\$ 675,700	\$ 11,093	\$ 149,991	\$ 917,742	\$ 6,950	\$ 17,845	\$ 27,712	\$ 1,807,033

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Revolving Account and the State Lottery Account as required by law, and 5) transfer amounts to and from the General Fund as required by law.

In the Fiscal Year ended June 30, 2002, the State recorded transfers for \$334.9 million from the Emergency Reserve Account to the General Fund. These transfers were made in accordance with budgetary authority granted by the Legislature. The Legislature also directed transfer of \$255.7 million from various nonmajor governmental funds to the General Fund to subsidize lower than expected revenues. The net transfers from the Higher Education Special Revenue Fund to the Higher Education Endowment Fund includes a transfer by the University of Washington (UW) to establish an endowment of approximately \$200 million as approved by the UW Board of Regents.

Note 6 - Capital Assets

A. Governmental Capital Assets

The following is a summary of governmental capital asset activity for the year ended June 30, 2002 (expressed in thousands):

Capital Assets	Balances July 1, 2001*	Additions	Deletions	Balances June 30, 2002
Capital assets, not being depreciated:				
Land	\$ 943,914	176,718	(32,346)	\$ 1,088,286
Highway System Infrastructure	10,492,546	607,323	-	11,099,869
Construction in Progress	1,101,573	315,998	(276,854)	1,140,717
Art Collections, Library Reserves, Museum, and Historical Collections	72,240	3,171	(1,371)	74,040
Total capital assets, not being depreciated	<u>12,610,273</u>			<u>13,402,912</u>
Capital assets, being depreciated:				
Buildings	5,272,307	370,515	(60,758)	5,582,064
Accumulated depreciation	(1,724,813)	(145,843)	4,289	(1,866,367)
Net buildings	<u>3,547,494</u>			<u>3,715,697</u>
Furnishings, equipment, and collections	2,714,916	304,362	(219,957)	2,799,321
Accumulated depreciation	(1,367,646)	(261,235)	79,195	(1,549,686)
Net furnishings and equipment	<u>1,347,270</u>			<u>1,249,635</u>
Other improvements	639,872	69,275	(44,543)	664,604
Accumulated depreciation	(202,647)	(47,438)	2,862	(247,223)
Net other improvements and miscellaneous	<u>437,225</u>			<u>417,381</u>
Infrastructure (other)	217,999	26,138	-	244,137
Accumulated depreciation	(61,874)	(11,286)	-	(73,160)
Net other improvements and miscellaneous	<u>156,125</u>			<u>170,977</u>
Total capital assets, being depreciated, net	<u>5,488,114</u>			<u>5,553,690</u>
Governmental activities capital assets, net	\$ 18,098,387			\$ 18,956,602

*Beginning balances have been adjusted during implementation of GASB Statement No. 34 to reflect accounting for infrastructure and collection/library reserves.

B. Business-type Capital Assets

The following is a summary of business-type capital asset activity for the year ended June 30, 2002, (expressed in thousands):

Capital Assets	Balances July 1, 2001*	Additions	Deletions	Balances June 30, 2002
Capital assets, not being depreciated:				
Land	\$ 24,055	164	-	\$ 24,219
Art Collections, Library Reserves	35	-	-	35
Construction in Progress	302,487	114,352	(116,131)	300,708
Total capital assets, not being depreciated	<u>326,577</u>			<u>324,962</u>
Capital assets, being depreciated:				
Buildings	937,735	99,359	(5,703)	1,031,391
Accumulated depreciation	<u>(344,362)</u>	<u>(26,008)</u>	<u>793</u>	<u>(369,577)</u>
Net buildings	<u>593,373</u>			<u>661,814</u>
Furnishings, equipment, and collections	262,318	31,425	(8,183)	285,560
Accumulated depreciation	<u>(181,198)</u>	<u>(21,486)</u>	<u>1,969</u>	<u>(200,715)</u>
Net furnishings and equipment	<u>81,120</u>			<u>84,845</u>
Other Improvements	50,260	7,819	(21,418)	36,661
Accumulated depreciation	<u>(9,150)</u>	<u>(2,744)</u>	<u>722</u>	<u>(11,172)</u>
Net other improvements and miscellaneous	<u>41,110</u>			<u>25,489</u>
Infrastructure (other)	20,340	4,618	(738)	24,220
Accumulated depreciation	<u>(4,042)</u>	<u>(3,294)</u>	<u>708</u>	<u>(6,628)</u>
Net other improvements and miscellaneous	<u>16,298</u>			<u>17,592</u>
Total capital assets, being depreciated, net	<u>731,901</u>			<u>789,740</u>
Business-type activities capital assets, net	<u>\$ 1,058,478</u>			<u>\$ 1,114,702</u>

*Beginning balances have been adjusted during implementation of GASB Statement No. 34 to reflect accounting for infrastructure and collection/library reserves.

C. Construction in Progress

Major construction commitments of the state at June 30, 2002, are as follows (expressed in thousands):

Agency/Project Commitments	Construction In Progress June 30, 2002	Remaining Project Commitments
Department of General Administration:		
Various projects	\$ 98,716	\$ 473,097
Liquor Control Board:		
Distribution center	28,538	-
Washington State Patrol:		
Seattle crime laboratory and other projects	10,421	8,153
Military Department:		
Emergency operation center and other projects	35,275	6,110
Department of Social and Health Services:		
State hospital and juvenile rehabilitation renovations, and other projects	125,610	90,125
Department of Corrections:		
Correctional centers construction, improvements, and other projects	236,442	387,750
Eastern Washington State Historical Society		
Museum Addition	20,842	2
Department of Transportation:		
Maintenance facilities, ferry vessels, and terminals	177,341	898,607
Department of Fish and Wildlife:		
Hatchery renovations, site improvements, and other projects	7,555	18,434
State Convention and Trade Center:		
Center Expansion	181,666	-
Higher Education Facilities:		
University of Washington	300,514	354,540
Washington State University	80,564	174,945
Eastern Washington University	9,473	1,059
Central Washington University	25,031	18,439
The Evergreen State College	57	71
Western Washington University	35,329	53,006
Community and Technical Colleges	63,449	134,966
Other Agency Miscellaneous Projects	4,602	17,689
Total Construction in Progress	\$ 1,441,425	\$ 2,636,993

Depreciation expense was charged to functions of the primary government as follows (in thousands):

	<u>Amount</u>
Governmental Activities:	
General Government	\$ 48,699
Education - elementary and secondary (K-12)	92
Education - higher education	280,608
Human services	20,678
Adult corrections	25,954
Natural resources and recreation	20,388
Transportation	<u>69,383</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 465,802</u>
Business-Type Activities:	
Workers' Compensation	\$ 970
Unemployment Compensation	-
Health Insurance Programs	147
Higher Education Student Services	45,259
Other	<u>7,157</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 53,533</u>

*Includes \$53,498 million internal service fund depreciation that was allocated to functions as a part of the net internal service fund activity.

Note 7 – Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2002, are reported by the State of Washington within Governmental Activities and Business-Type Activities, as applicable.

The State Constitution and enabling statutes authorize the incurrence of State general obligation debt, to which the State's full faith, credit, and taxing power are pledged, either by the State Legislature or by a body designated by statute (presently the State Finance Committee). Legislative authorization arises from an affirmative vote of 60 percent of both legislative houses without voter consent, or from an affirmative vote of more than 50 percent of both legislative houses and a majority of the voters voting thereon. The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) temporary deficiencies in the State treasury (must be discharged within 12 months of the date of incurrence); (2) appropriations already made by the legislature; or (3) refunding of outstanding obligations of the State.

Legal Debt Limitation

The State Constitution and current statutes generally limit debt authorized in the preceding procedures. The limitations prohibit the issuance of new debt if it would cause the maximum annual debt service, on all thereafter-outstanding general obligation debt, to exceed a specified percentage of the arithmetic mean of general state revenues for the preceding three fiscal years. These limitations are on the incurrence of new debt, not on the amount of debt service that may be paid by the State in future years.

As certified by the State Treasurer, the maximum debt authorization subject to limitation for Fiscal Year 2002 was \$5.9 billion, under the then current constitutional and statutory limitation. This computation excludes specific bond issues and types, which are not secured by general state revenues. Based on the debt limitation calculation, the debt service requirements as of June 30, 2002, did not exceed the authorized debt service limitation.

Computation of Legal Debt Limitation (expressed in millions)¹	
Three year mean, general state revenues	\$ 8,656
Legal Debt Limitation:	
Debt service limitation (7 percent of above)	\$ 606
Less: Projected maximum annual debt service of outstanding bonds	567
Uncommitted Portion of Debt Service Limitation	\$ 39
Remaining State general obligation debt capacity	\$ 550
Plus: Debt outstanding subject to limitation	5,406
Maximum Debt Authorization Subject to Limitation	\$ 5,956

¹ Source: Office of the State Treasurer – Certification of the Debt Limitation of the State of Washington for Fiscal Year 2002.

Authorized but unissued

The State had a total of \$3,111,828 of bonds authorized but unissued as of June 30, 2002, for the purpose of public building and schools construction and renovation, higher education purposes, and highways construction and improvement.

Interest rates

Interest rates on fixed rate general obligation bonds ranged from 3.0 to 9.0 percent. Variable rate demand obligations (VRDO) of \$191 million are remarketed on a weekly basis. Interest rates on revenue bonds range from 2.94 to 7.0 percent.

DEBT SERVICE REQUIREMENTS TO MATURITY

General obligation bonds have been authorized and issued primarily to provide funds for acquisition and

construction of capital facilities for public and common schools, higher education, public and mental health, corrections, conservation, and construction and improvements of highways, roads, and bridges. The state has also issued bonds for assistance to municipalities for construction of water and sewage treatment facilities and corrections facilities. In addition, bonds are authorized and issued to provide for the refunding of general obligation bonds outstanding. Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2002. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington, 98504-0200, phone number (360) 902-9000 or TDD (360) 902-8963.

Total debt service requirements to maturity for general obligation bonds, as of June 30, 2002, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2003	\$ 393,339	\$ 424,800	\$ 16,595	\$ 8,170	\$ 409,934	\$ 432,970
2004	365,240	407,699	16,646	7,377	381,886	415,076
2005	373,978	393,562	17,001	6,432	390,979	399,994
2006	377,649	370,580	17,721	5,476	395,370	376,056
2007	390,988	354,897	18,903	4,461	409,891	359,358
2008-2012	1,846,720	1,459,102	55,726	20,642	1,902,446	1,479,744
2013-2017	1,927,051	988,312	30,404	26,144	1,957,455	1,014,456
2018-2022	1,567,754	537,960	14,108	34,682	1,581,862	572,642
2023-2027	754,450	88,928	-	-	754,450	88,928
Total Debt Service Requirements	\$ 7,997,169	\$ 5,025,840	\$ 187,104	\$ 113,384	\$ 8,184,273	\$ 5,139,224

Revenue Bonds are authorized under current state statutes, which empower certain state agencies to issue bonds that are not supported, or not intended to be supported, by the full faith and credit of the state. These bonds pledge income derived from acquired or

constructed assets for retirement of the debt and payment of the related interest.

The State's Colleges and Universities issue revenue bonds for the purposes of housing, dining, parking, and student facilities construction.

Total debt service requirements for revenue bonds to maturity as of June 30, 2002, are as follows (expressed in thousands):

Revenue Bonds	Business-Type Activities	
	Principal	Interest
By Fiscal Year:		
2003	\$ 8,072	\$ 17,388
2004	8,606	16,417
2005	9,875	15,984
2006	10,119	15,521
2007	10,675	15,033
2008-2012	59,221	66,930
2013-2017	63,885	50,235
2018-2022	63,496	33,909
2023-2027	59,281	19,011
2028-2032	34,282	5,060
Total Debt Service Requirements	\$ 327,512	\$ 255,488

DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds. When the State refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide statement of net assets.

CURRENT YEAR DEFEASANCES

Governmental Activities:

On June 15, 2002, the State issued \$62.4 million of Various Purpose General Obligation Refunding Bonds (Series R-2002A) with an average interest rate of 4.89 percent to refund \$63.0 million of Various Purpose General Obligation Bonds from several different series with an average interest rate of 6.09 percent. The refunding resulted in a \$4.0 million gross debt service savings over the next five years and an economic gain of \$4.0 million.

On June 15, 2002, the State issued \$25.6 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Series R-2002B) with an average interest rate of 4.89 percent to refund \$25.8 million of Motor Vehicle Fuel Tax General Obligation bonds from two series with an average interest rate of 6.09 percent. The refunding resulted in a \$1.6 million gross debt service savings over the next five years and an economic gain of \$1.6 million.

Business-Type Activities:

On April 1, 2002, the University of Washington issued \$5.1 million in Housing and Dining System Revenue and Refunding Bonds (Series 2002), with an average interest rate of 5.07 percent, to refund \$4.9 million in outstanding Housing and Dining System Revenue Bonds with an average interest rate of 6.99 percent. The refunding resulted in an accounting gain of \$247,916 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.3 million. The refunding of the bonds decreased the University's total debt service payments over the next 21 years by \$842,794.

On October 1, 2001, the University of Washington Alumni Association issued \$19.8 million in Lease Refunding Bonds (2001 issue), with an average interest rate of 5.08 percent, to refund \$19.3 million in outstanding Lease Revenue Bonds (1994 issue) with an

average interest rate of 6.09 percent. The refunding resulted in an accounting loss of \$535,000 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$889,710. The refunding of the bonds decreased the University's total debt service payments over the next 14 years by \$1.1 million.

PRIOR YEAR DEFEASANCES

In prior years, the State defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements.

General Obligation Bond Debt:

On June 30, 2002, \$142.0 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt:

On June 30, 2002, \$71.5 million of proprietary revenue bonded debt outstanding is considered defeased.

B. School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program. The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the State of Washington to the payment of voter-approved school district general obligation bonds. The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of Fiscal Year 2002, the State had guaranteed 83 school districts' voter-approved general obligation debt with a total outstanding principal of \$1.6 billion.

C. Certificates of Participation

Current state law authorizes the State to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature. Other specific provisions could also affect the State's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the State not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2002, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2003	\$ 28,106	\$ 15,926	\$ 21,423	\$ 14,785	\$ 49,529	\$ 30,711
2004	18,497	10,853	14,665	10,636	33,162	21,489
2005	16,179	10,025	13,827	9,974	30,006	19,999
2006	13,942	9,295	12,274	9,342	26,216	18,637
2007	12,636	8,666	11,818	8,779	24,454	17,445
2008-2012	71,648	33,701	71,582	34,500	143,230	68,201
2013-2017	77,940	13,904	80,306	14,327	158,246	28,231
2018-2022	9,710	1,188	10,011	1,224	19,721	2,412
Total Debt Service Requirements	\$ 248,658	\$ 103,558	\$ 235,906	\$ 103,567	\$ 484,564	\$ 207,125

Note: An additional \$5 million certificates of participation, related to fiduciary activities, remains outstanding as of June 30, 2002.

On September 1, 1998, the State lease-purchase program was extended to enable local governments to participate in low cost financing of essential equipment (Local Option Capital Asset Lending Program (LOCAL)). The program allows local governments to pool their financing requests together with Washington State agencies for lower tax-exempt interest rates. While these COP's do

not constitute a debt or pledge of the faith and credit of the State, in the event of default these financing contracts have the State's guarantee to the extent of legally available appropriated funds. As of June 30, 2002, outstanding certificates of participation notes totaled \$26.5 million for 138 local governments participating in LOCAL.

D. Claims and Judgments

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation and health insurance are business-type activities, and risk management is a governmental activity. A description of the risks to which the State is exposed by these activities,

and the ways in which the State handles the risks, is presented in Note 1L.

Workers' Compensation

Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2001 and 2002 were as follows (expressed in thousands):

	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
Workers' Compensation Fund				
FY 2001	\$ 13,621,702	1,990,349	(1,368,938)	\$ 14,243,113
FY 2002	\$ 14,243,113	2,045,466	(1,405,480)	\$ 14,883,099

At June 30, 2002, \$30.6 billion of unpaid claims and claim adjustment expenses are presented at their net present value of \$14.9 billion. These claims are discounted at assumed interest rates of 4.0 percent (time loss and medical) to 6.5 percent (pensions) and are net of third party recoveries.

basis, and the Workers' Compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due. The remaining claims liabilities of \$7.7 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

The claims and claim adjustment liabilities of \$14.9 billion, as of June 30, 2002, include \$7.2 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded. These COLA payments are funded on a pay-as-you-go

Risk Management

Changes in the balances of risk management claims liabilities during Fiscal Years 2001 and 2002 were as follows (expressed in thousands):

	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
Risk Management Fund					
FY 2001	\$ 240,247	131,096	(85,425)	(17,181)	\$ 268,737
FY 2002	\$ 268,737	189,909	(33,638)	(22,538)	\$ 402,470

Risk Management reports claims and judgment liabilities when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Claims liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

The State is a defendant in a significant number of lawsuits pertaining to property and casualty matters. As of June 30, 2002, outstanding and actuarially determined claims against the State and its public authorities were \$402.5 million for which the State has recorded a liability. The State is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined claims. At June 30, 2002, the Risk Management Fund held \$5.4 million in cash and pooled investments designated for payment of these claims under the State's Self Insurance Liability Program.

Health Insurance

Changes in the balances of Health Insurance claim liabilities during Fiscal Years 2001 and 2002 were as follows (expressed in thousands):

	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
Health Insurance Fund				
FY 2001	\$ 35,266	262,342	(254,461)	\$ 43,147
FY 2002	\$ 43,147	297,836	(294,057)	\$ 46,926

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2002, health insurance claims liabilities totaling \$46.9 million are fully funded with cash and investments, net of obligations under securities lending agreements.

E. Leases

The State leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the State Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Leased buildings and equipment under capital leases as of June 30, 2002, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 1,600	\$ 1,671
Equipment	40,384	1,079
Less: Accumulated Depreciation	(7,311)	(601)
Totals	\$ 34,673	\$ 2,149

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2002, (expressed in thousands):

	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Capital and Operating Leases				
By Fiscal Year:				
2003	\$ 6,204	\$ 356	\$ 89,709	\$ 7,737
2004	6,078	345	79,109	6,614
2005	6,013	326	65,410	5,948
2006	5,801	285	56,562	4,722
2007	5,390	246	44,028	3,812
2008-2012	12,934	516	138,680	8,609
2013-2017	526	250	99,395	228
2018-2022	453	125	91,216	-
2023-2027	-	-	97,729	-
2028-2032	-	-	103,978	-
Total Future Minimum Payments	43,399	2,449	865,816	37,670
Less: Executory costs and interest costs	8,346	691	-	-
Net Present Value of future minimum lease payments	\$ 35,053	\$ 1,758	\$ 865,816	\$ 37,670

The total operating lease rental expense for Fiscal Years 2001 and 2002 were \$317.2 million and \$337.2 million, respectively.

F. Long-Term Liability Activity

Long-term liability activity for the Fiscal Year 2002 (expressed in thousands) was as follows:

	Beginning Balance July 1, 2001	Additions	Reductions	Ending Balance June 30, 2002	Amounts Due Within One Year
Governmental Activities:					
Long-term Debt:					
Bonds Payable -					
General obligation (GO) bonds	\$7,208,450	\$1,010,195	\$469,695	\$7,748,950	\$378,340
GO - zero coupon bonds (principal)	264,441	-	18,187	246,254	14,914
Other bonds payable	2,045	-	80	1,965	85
Subtotal	7,474,936	1,010,195	487,962	7,997,169	393,339
GO - zero coupon bonds (accreted interest)	161,319	0	9,214	152,105	13,670
Total bonds payable	7,636,255	1,010,195	497,176	8,149,274	407,009
Other liabilities -					
Certificates of participation	264,686	26,544	42,572	248,658	28,106
Claims and judgments	331,912	171,391	31,920	471,383	89,176
Leases	17,672	22,850	5,469	35,053	6,204
Compensated absences	365,412	338,097	316,016	387,493	35,632
Unfunded pension obligations	40,100	4,600	-	44,700	-
Other	139,803	390,806	376,087	154,522	118,302
Total other liabilities	1,159,585	954,288	772,064	1,341,809	277,420
Total	\$8,795,840	\$1,964,483	\$1,269,240	\$9,491,083	\$684,429

For Governmental Activities, payments on the certificates of participation are being repaid directly from various governmental funds. The compensated absences liability will be liquidated approximately 53% by the General Fund, 41% by major Special Revenue Funds, and 6% by various other governmental funds. The

claims and judgments liability will be liquidated primarily through the risk management fund, an internal service fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

	Beginning Balance July 1, 2001	Additions	Reductions	Ending Balance June 30, 2002	Amounts Due Within One Year
Business-Type Activities					
Long-term Debt:					
Bonds Payable -					
General obligation (GO) bonds	\$173,588	\$7,275	\$23,018	\$157,845	\$16,595
GO - zero coupon bonds (principal)	29,259	-	-	29,259	-
Revenue Bonds	283,606	76,256	32,350	327,512	8,072
Less: Deferred amounts on refunding	(2,773)	(555)	-	(3,328)	-
Subtotal	483,680	82,976	55,368	511,288	24,667
GO - zero coupon bonds (accreted interest)	12,190	2,858	-	15,048	-
Less: Deferred amounts for issuance discounts	(1,837)	-	66	(1,771)	(66)
Subtotal	10,353	2,858	-	13,277	(66)
Total bonds payable	494,033	85,834	55,368	524,565	24,601
Other liabilities -					
Certificates of participation	213,660	108,982	86,736	235,906	21,423
Less: Deferred amounts for issuance discounts	(2,625)	-	1	(2,624)	-
Claims and judgments	14,246,313	2,046,615	1,406,760	14,886,168	1,405,746
Lottery prize annuities payable	497,712	879,009	877,724	498,997	25,469
Tuition benefits payable	91,171	121,489	4,760	207,900	-
Leases	1,939	184	365	1,758	356
Compensated absences	34,549	26,521	25,295	35,775	13,928
Other	191,755	131,753	252,106	71,402	69,640
Total other liabilities	15,274,474	3,314,553	2,653,747	15,935,282	1,536,562
Total	\$15,768,507	\$3,400,387	\$2,709,115	\$16,459,847	\$1,561,163

Note 8 - No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the state Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

These bonds do not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their faith and credit for the payment of such bonds. Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The table below presents the latest available balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

No Commitment Debt	Principal Balance
Washington State Housing Finance Commission	\$ 2,088,138
Washington Higher Education Facilities Authority	324,307
Washington Health Care Facilities Authority	2,533,582
Washington Economic Development Finance Authority	208,765
Total No Commitment Debt	\$ 5,154,792

Note 9 – Fund Balances Reserved or Designated for Other Specific Purposes

The nature and purposes of fund balances reserves and designations for other specific purposes as of June 30, 2002, are listed below (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Totals
Reserved for Other Specific Purposes:					
Long-term student loans	\$ -	\$ 16	\$ -	\$ -	\$ 16
Investments with trustees	593	-	-	448	1,041
Long-term receivables	36,041	286	-	959,016	995,343
Long-term investments	-	113,527	-	19,406	132,933
Emergency reserve	-	-	-	116,129	116,129
Petty cash	603	4,444	-	816	5,863
Total Reserved for Other Specific Purposes	\$ 37,237	\$ 118,273	\$ -	\$ 1,095,815	\$ 1,251,325
Unreserved, Designated for Other Specific Purposes:					
Higher education	\$ -	\$ 155,679	\$ -	\$ -	\$ 155,679
Miscellaneous	-	-	-	137	137
Total Unreserved, Designated for Other Specific Purposes	\$ -	\$ 155,679	\$ -	\$ 137	\$ 155,816

Note 10 - Deficit Net Assets

At June 30, 2002, there were two proprietary funds with deficit net assets.

The Workers' Compensation Fund, an enterprise fund, had deficit net assets of \$6.1 billion at June 30, 2002. The fund is used to account for the workers' compensation program which provides time-loss, medical, disability, and pension payments to qualifying individuals sustaining work-related injuries. The main

benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension cost-of-living adjustments (COLA) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

The following schedule details the changes in total net assets for the Workers' Compensation Fund during the fiscal year ended June 30, 2002, (expressed in thousands):

Workers' Compensation Fund	Net Assets (Deficit)
Balances, July 1, 2001	\$ (5,426,176)
Fiscal Year 2002 activity	(638,309)
Balances, June 30, 2002	\$ (6,064,485)

The Risk Management Fund, an internal service fund, had deficit net assets of \$395.2 million at June 30, 2002. The Risk Management Fund is used to account for the claims, torts, judgments generally arising from automobile and general government operations, and loss adjustment expenses for tort defense. These costs are supported by premium assessments to state agencies that are designed to cover current and future claim losses. Outstanding and incurred but not reported claims are actuarially determined and accrued, resulting in the deficit net assets.

The Self Insurance Liability Program initiated in 1990 is intended to provide funds for the payment of all claims and loss adjustment expenses for tort defense.

The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined claims.

The following schedule details the changes in net assets for the Risk Management Fund during the fiscal year ended June 30, 2002, (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2001	\$ (271,152)
Fiscal Year 2002 activity	(124,064)
Balance, June 30, 2002	\$ (395,216)

Note 11 - Retirement Plans

A. General

The state of Washington, through the Department of Retirement Systems, the Board for Volunteer Fire Fighters, and the Administrator for the Courts, administers eleven defined benefit retirement plans and four defined contribution retirement plans covering eligible employees of the state and local governments. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

DEPARTMENT OF RETIREMENT SYSTEMS

As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers seven retirement systems comprising ten defined benefit pension plans and three defined contribution plans as follows:

Public Employees' Retirement System (PERS)

- Plan 1 - defined benefit
- Plan 2/3 - defined benefit
- Plan 3 - defined contribution

Teachers' Retirement System (TRS)

- Plan 1 - defined benefit
- Plan 2/3 - defined benefit
- Plan 3 - defined contribution

School Employees' Retirement System (SERS)

- Plan 2/3 - defined benefit
- Plan 3 - defined contribution

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

- Plan 1 - defined benefit
- Plan 2 - defined benefit

Washington State Patrol Retirement System (WSPRS)

- Defined benefit plan

Judicial Retirement System (JRS)

- Defined benefit plan

Judges' Retirement Fund (Judges)

- Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, and LEOFF systems and plans was funded by an employer rate of .23 percent of employee salaries for the period July 1, 2001, through April 30, 2002. The rate decreased to .22 percent as of May 1, 2002. Administration of the WSPRS, JRS, and Judges plans is funded by means of legislative appropriations.

The Department of Retirement Systems prepares a stand-alone financial report. Copies of the report that include financial statements and required supplemental information may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380.

BOARD FOR VOLUNTEER FIRE FIGHTERS

As established in chapter 41.24 RCW, the Washington Board for Volunteer Fire Fighters' administers the Volunteer Fire Fighters' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

ADMINISTRATOR FOR THE COURTS

As established in chapter 2.14 RCW, the Administrator for the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

TIAA/CREF

Eligible higher education state employees may participate in the Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) which is a privately administered defined contribution plan.

Plan descriptions, funding policies, and a table of employer contributions required and paid for defined benefit plans follow at Notes 11.B through D respectively. For information related to defined contribution plans, refer to Note 11.I. Details on plan net assets and changes in plan net assets of pension plans administered by the state are presented at Note 11.J.

Membership of each state administered plan consisted of the following at September 30, 2001, the date of the latest actuarial valuation for all plans except for VFFRPF which had an actuarial valuation performed on December 31, 2001.

Defined Benefit Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminated Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total
PERS 1	53,538	3,310	22,226	1,755	80,829
PERS 2	8,651	15,102	75,551	53,404	152,708
TRS 1	32,195	1,995	13,594	377	48,161
TRS 2	709	2,342	7,188	,868	11,107
TRS 3	203	1,730	15,772	28,421	46,126
SERS 2	191	929	12,719	11,344	25,183
SERS 3	78	637	12,566	11,718	24,999
LEOFF 1	7,894	29	1,312	3	9,238
LEOFF 2	184	303	9,582	4,003	14,072
WSPRS 1	696	89	768	259	1,812
JRS	134	3	26	-	163
Judges	18	-	1	-	19
JRA	-	11	180	n/a	191
VFFRPF	2,638	3,960	5,035	7,219	18,852

Following is a summary of government employers participating in state administered retirement plans as of June 30, 2002.

Plan	State Agencies	Public Schools	Counties/Municipalities	Other Political Subdivisions
PERS 1	156	248	216	255
PERS 2	169	2	268	446
PERS 3	118	-	-	-
TRS 1	87	288	-	-
TRS2	40	267	-	-
TRS 3	45	291	-	-
SERS 2	9	290	-	-
SERS 3	10	287	-	-
LEOFF 1	-	-	113	26
LEOFF 2	7	-	225	127
WSPRS 1	1	-	-	-
JRS	3	-	-	-
Judges	1	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	520

B. Plan Description

Public Employees' Retirement System (PERS)

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher

education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2002, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment. Employees in PERS Plan 3 can elect to withdraw total employee contributions and earnings from the investment of those contributions upon separation from PERS-covered employment.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); judges of district and municipal courts; and employees of local governments. TIAA/CREF is not administered by DRS. Approximately 52 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I. of this note for a description of the defined contribution component of PERS Plan 3.

Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of membership service is eligible for nonduty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC.

Plan 2 and Plan 3 provide non-duty disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is one percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2001 session provides a \$150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. This legislation is effective for the period of July 1, 2001, through June 30, 2003.

Legislation passed in the 2002 session gives commercial vehicle enforcement officers (CVEO) who became commissioned officers in the Washington State Patrol after July 1, 2000, and prior to June 30, 2001, the option of either remaining a member of PERS Plan 2 or to make an irrevocable choice to transfer their CVEO credit to the Washington State Patrol Retirement System. Those members who transfer service credit would have until December 31, 2010, or the date of retirement (whichever came first) to pay for the difference in employee and employer contributions plus interest. There were no other material changes in PERS benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 41.40 RCW.

Teachers' Retirement System (TRS)

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. TRS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996 and those who exercised their transfer option, are members of TRS Plan 3.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and 2 defined benefit plans accrue

interest at a rate specified by DRS. During Fiscal Year 2002, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. Employees in TRS Plan 3 can elect to withdraw total employee contributions and earnings from the investment of those contributions upon separation from TRS-covered employment.

TRS was legislatively established in 1938. Eligibility for membership requires service as a certificated employee in grades K-12 in the public schools. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years); capped at 60 percent.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in TRS Plan 2 by July 1, 1996, and transferred to Plan 3. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial

reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to Section I. of this note for a description of the defined contribution component of TRS Plan 3.

Plan 1 provides death and duty disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members \$400 (if at least 10 years of membership service), active members \$600. Members on temporary disability receive a temporary life annuity of \$180 per month payable up to two years. After five years of service, members on a disability retirement receive an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

Plan 2 and Plan 3 provide non-duty disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent of the AFC for each year of service. For Plan 3, the allowance amount is one percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2001 session provides a \$150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. This legislation is effective for the period of July 1, 2001, through June 30, 2003. There were no other material changes in TRS benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapters 41.32 and 41.34 RCW.

School Employees' Retirement System (SERS)

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a combination defined benefit/defined contribution plan. As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3. SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS is comprised of two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3

accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by DRS. During Fiscal Year 2002, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. Employees in SERS Plan 3 can elect to withdraw total employee contributions and earnings from the investment of those contributions upon separation from SERS-covered employment.

The Legislature established SERS in 2000. Membership in the system includes all classified employees of school districts or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12

months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to September 1, 2000. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to Section I. of this note for a description of the defined contribution component of SERS Plan 3.

Plan 2 and Plan 3 provide non-duty disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent of the AFC for each year of service. For Plan 3 the allowance amount is one percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2001 session provides a \$150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. This legislation is effective for the period of July 1, 2001, through June 30, 2003. There were no other material changes in SERS benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 41.35 RCW.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2002, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and fire fighters. LEOFF membership is comprised primarily of non-state

employees. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus five percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

The Plan 1 disability allowance is 50 percent of the FAS plus five percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

Plan 2 provides non-duty disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, and to reflect the choice of a survivor option.

There were no material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 41.26 RCW.

Washington State Patrol Retirement System (WSPRS)

WSPRS is a single-employer retirement system comprised of one defined benefit plan. WSPRS participants who join the system by December 31, 2002, are Plan 1 members.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the WSPRS defined benefit plan accrue interest at a rate specified by DRS. During Fiscal Year 2002, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in state statute and may be amended only by the state Legislature.

Retirement benefits are vested after an employee completes five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service. The annual pension is two percent of average final salary (AFS) per year of service (AFS is based on the average of your two highest-paid years), capped at 75 percent.

Benefit provisions include death benefits; however, the system contains no disability benefits. Death benefits for members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to WSPRS members.

Legislation passed in the 2001 session created a Washington State Patrol Plan 2 for employees commissioned after January 1, 2003. Existing WSPRS members would receive an adjustment to their contribution rate and their COLA, and a change in how some overtime is considered as salary. Current retirees, who retired before June 30, 2000, will receive the new COLA (CPI-based up to 3%) on July 1, 2001, and every year thereafter. A member who retired between July 1, 2000, and June 30, 2001, received a 2% COLA on July 1, 2001, and a new COLA (CPI-based up to 3%) on July 1, 2002, and every year after. A member who retires after July 1, 2001, will receive the 3% COLA on the next July 1, after being a retiree for one year. The definition of "average final salary" for new members is changed from a two-year average to a five-year average. For existing members, the definition of "salary" is amended to prospectively exclude voluntary overtime. For new members, the definition is amended to exclude both voluntary overtime and cash-outs of annual leave and holiday leave.

Legislation passed in the 2002 session gives commercial vehicle enforcement officers (CVEO) who became commissioned officers in the Washington State Patrol after July 1, 2000, and prior to June 30, 2001, the option of either remaining a member of PERS Plan 2 or to make an irrevocable choice to transfer their CVEO credit to the Washington State Patrol Retirement System. Those members who transfer service credit would have until December 31, 2010, or the date of retirement (whichever came first) to pay for the difference in employee and employer contributions plus interest. There were no other material changes in WSPRS benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 43.43 RCW.

Judicial Retirement System (JRS)

JRS is an agent multiple-employer retirement system comprised of a single defined benefit plan. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, employee contributions, and a special funding situation in which the state pays the remaining contributions. JRS employees accrue no interest on contributions and may not elect to withdraw their contributions upon termination.

JRS was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1, 1988, with new judges joining PERS Plan 2. JRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service.

The benefit per year of service calculated as a percent of average final compensation (AFC) is as follows:

<u>Term of Service</u>	<u>Percent of AFC</u>
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires ten or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit a member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the AFC. For members with ten or more years of service, a disability benefit of 50 percent of AFC is provided.

There were no material changes in JRS benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 2.10 RCW.

Judges' Retirement Fund (Judges)

Judges is an agent multiple-employer retirement system comprised of a single defined benefit plan. Retirement benefits are financed on a pay-as-you-go basis from a combination of employee contributions, employer contributions, and a special funding situation in which the state pays the remaining contributions. Employees do not earn interest on their contributions, nor can they elect to withdraw their contributions upon termination.

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to RCW 2.12, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington. Subsequent legislation required that all judges first appointed or elected to office on or after August 9, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term

immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

There were no material changes in Judges' benefit provisions for the fiscal year ended June 30, 2002.

Pension benefit provisions have been established by chapter 2.12 RCW.

The Volunteer Fire Fighters' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing multiple-employer retirement system that provides death and active duty disability benefits to all members, and optional defined benefit pension plan payments.

VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and a special funding situation where the state pays the remaining contributions. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

VFFRPF was created by the Legislature in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State.

Retirement benefits are established in state statute and may be amended only by the state Legislature. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service.

After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$30 plus \$10 per year of service. The maximum monthly benefit is \$280. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$152,000. Funeral and burial expenses are also paid in a lump sum of \$2,000 for members on active duty. Members receiving disability benefits at the time of death shall be paid \$500. Members on active duty shall receive disability payments of \$2,550 per month for up to six months; thereafter, payments are reduced. Disabled members receive \$1,275 per month, their spouse \$255, and dependent children \$110. Benefit provisions for VFFRPF are established under the authority of chapter 41.24 RCW.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the CPI.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2002.

C. Funding Policies

During the 2002 Session, the Legislature decided to adopt rates effective April 1, 2002, based on the 2000 valuation and the new demographic assumptions that resulted from the six-year review of that experience.

Public Employees' Retirement System (PERS)

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2002 were as follows:

PERS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates:			
State agencies*	1.32%	1.32%	1.32%**
Local governmental units	1.32%	1.32%	1.32%**
State gov't elected officials*	1.87%	1.32%	1.32%**
Employee Rates:			
State agencies	6.00%	0.65%	***
Local governmental units	6.00%	0.65%	***
State gov't elected officials	7.50%	0.65%	***

*Includes an administrative expense rate of 0.22 percent.

**Plan 3 defined benefit portion only.

***Variable from 5% to 15% based on rate selected by the member.

Teachers' Retirement System (TRS)

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. TRS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of TRS Plan 3 do not contribute to the defined benefit portion of TRS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2002 were as follows:

TRS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates *	1.27%	1.27%	1.27%**
Employee Rates:			
State agencies	6.00%	0.15%	***
Local governmental units	6.00%	0.15%	***
State gov't elected officials	7.50%	0.15%	***

* Includes an administrative expense rate of 0.22 percent.

** Plan 3 defined benefit portion only.

*** Variable from 5% to 15% based on rate selected by the member.

School Employees' Retirement System (SERS)

Each biennium the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. SERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of SERS Plan 3 do not contribute to the defined benefit portion of SERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2002 were as follows:

SERS Actual Contribution Rates

	PLAN 2	PLAN 3
Employer Rates:		
State agencies*	1.18%	1.18% **
Local governmental units*	1.18%	1.18%
Employee Rates:		
State Agencies	0.35%	***
Local Governmental Units	0.35%	***

*Includes an administrative expense rate of 0.22 percent.

**Plan 3 defined benefit portion only.

***Variable from 5% to 15% based on rate selected by the member.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Beginning on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee

contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with chapter 41.45 RCW. All employers are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2002 were as follows:

LEOFF Actual Contribution Rates

	PLAN 1	PLAN 2
Employer Rates:		
Ports and Universities*	NA	4.61%
Local governmental units*	0.22%	2.86%
Employee Rates:		
Ports and Universities	NA	4.39%
Local governmental units	NA	4.39%
State of Washington	NA	1.75%

*Includes an administrative expense rate of 0.22 percent.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Washington State Patrol Retirement System (WSPRS)

State statute (chapter 43.43 RCW) obligates employees to contribute at a fixed rate of 2 percent for Fiscal Year 2002. The Pension Funding Council in accordance with chapter 41.45 RCW adopts contribution rates for the employee and the state. The employee and the state are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2002 were as follows:

WSPRS Actual Contribution Rates

Employer Contributions	0.00%
Employee Contributions	2.00%

Judicial Retirement System (JRS)

Contributions made are based on rates set in chapter 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the JRS on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the

state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2002, the state contributed \$6 million.

Judges' Retirement Fund (Judges)

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2002, the state contributed \$.25 million.

The Volunteer Fire Fighters' Relief and Pension Fund (VFFRPF)

The retirement provisions of VFFRPF is funded through member contributions of \$30 per year, employer contributions of \$30 per year, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. The death and disability provisions of VFFRPF are funded by an employer contribution rate of \$10 per member.

Administrative expenses are funded through fire insurance premium taxes and are maintained in a separate fund. Amounts not needed for administrative expenses are transferred to VFFRPF.

D. Employer Contributions Required and Paid

The following table presents the state of Washington's required contributions in millions of dollars to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

	2002	2001	2000
PERS Plan 1	\$35.3	\$94.0	\$102.6
PERS Plan 2/3	26.2	58.2	44.1
TRS Plan 1	1.7	3.5	4.7
TRS Plan 2/3	0.4	0.3	.3
SERS Plan 2/3	0.0	0.0	NA
LEOFF Plan 1	0.0	0.0	0
LEOFF Plan 2	0.2	21.1	17.3
VFFRPF	0.0	3.3	2.7

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

E. Annual Pension Cost and Net Pension Obligation

The state's annual pension cost and net pension obligation (NPO), in millions, to the plans listed for the current year were as follows:

	WSPRS	JRS	Judges
Annual Required Contribution	\$0.0	\$14.2	\$0.2
Interest on NPO	(2.5)	3.2	(0.2)
Adjustment to annual required contribution	3.8	(6.7)	0.5
Annual Pension Cost	1.3	10.7	0.5
Less Contributions Made	0.0	6.2	0.3
Increase (decrease) in NPO	1.3	4.5	0.2
NPO at beginning of year	(30.9)	40.1	(3.0)
NPO at end of year	(29.6)	44.7	(2.8)

The valuation date for the plans is September 30, 2001. The actuarial cost method for the WSPRS is aggregate and for JRS and Judges is entry age normal. The unfunded amount is being amortized as a level dollar amount to December 31, 2008, for JRS. All other methods and assumptions are the same as used in funding and disclosed in "Notes to the Required Supplementary Information – Defined Benefit Pension Plans."

F. Three Year Trend Information

The following table presents three-year trend information in millions for the plans listed:

	2002	2001	2000
WSPRS			
Annual Pension Cost	\$1.3	\$1.4	\$0.3
% of APC contributed	0.0	0.0	0.0
NPO	\$(29.6)	\$(30.9)	\$(32.3)
JRS			
Annual Pension Cost	\$10.7	\$10.6	\$10.3
% of APC contributed	57.9	68.9	70.9
NPO	44.7	\$40.1	\$36.8
Judges			
Annual Pension Cost	\$0.5	\$0.4	\$0.5
% of APC contributed	60.0	200.0	160.0
NPO	\$(2.8)	\$(3.0)	\$(2.6)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

G. Changes in Actuarial Assumptions

The contribution rates effective April 1, 2002, reflect the revised demographic assumption. Demographic assumptions are updated after completion of a six-year review of the experience of the plan. These changes were reflected in the valuation.

H. Changes in Benefit Provisions

Refer to Section B. of this note for a description of the benefit provision changes in Fiscal Year 2002.

I. Defined Contribution Plans

Public Employees' Retirement System Plan 3 (PERS 3)

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through DRS. Eligible employees include: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); judges of district and municipal courts; and employees of local governments. PERS participants who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants who joined the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Refer to section B of this note for PERS plan descriptions.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.40, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on age. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the

investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For Fiscal Year 2002, employee contributions required and made were \$960,409, and plan refunds paid out were \$6,318.

Teachers Retirement System Plan 3 (TRS 3)

The Teachers Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Eligible employees include certificated employees in grades K-12 in the public schools. TRS participants who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. Refer to Section B of this note for TRS plan descriptions.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.34, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on age. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS 2/3 defined benefit plan.

For Fiscal Year 2002, employee contributions required and made were \$142.8 million and plan refunds paid out were \$18.4 million.

The School Employees' Retirement System (SERS 3)

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Eligible employees include classified employees of school districts and educational service districts who are SERS Plan 2 members on or after September 1, 2000, and who

elect to transfer. Refer to Section B of this note for SERS plan descriptions.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.35, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries based on age. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS 2/3 defined benefit plan.

For Fiscal Year 2002, employee contributions required and made were \$36.6 million and plan refunds paid out were \$10.9 million.

Judicial Retirement Account (JRA)

The Judicial Retirement Account Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state of Washington Administrator for the Courts, under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of the PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Employee contributions equal 2.5 percent of salary and the state, as employer, matches this amount. Contributions are collected by the Administrator for the Courts. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Current-year covered payroll for JRA employees was \$21.33 million for the fiscal year ended June 30, 2002. For Fiscal Year 2002, the contribution requirement for JRA was \$1,066,000. Actual employer and employee contributions were \$533,000 each, for a total of \$1,066,000. Plan benefits paid out for Fiscal Year 2001 totaled \$205,982.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall

be paid to such a person or persons having an insurable interest in the member's life, per written designation of the member.

Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF)

TIAA/CREF, privately administered defined contribution plans, provide individual retirement fund contracts for each eligible employee. There are 38 participating state employers in the TIAA/CREF plan. Eligible employees include higher education faculty and other positions as designated by each institution; participation was established under chapter 28B.10 RCW. The employee must commence participation within the first two years of employment. Once eligible to participate in this system, members are vested immediately.

Employee contribution rates, which are based on age, range from 5 to 10 percent of salary. These rates are matched by the institution and sent to TIAA/CREF. The employer and employee obligations to contribute are established per chapter 28B.10 RCW. For Fiscal Year 2002, covered payroll for TIAA/CREF employees was \$1.1 billion and the contribution requirement for TIAA/CREF was \$186 million. Actual employer and employee contributions were \$93 million each, for a total of \$186 million. These contribution amounts represent approximately eight percent of covered payroll for employers and employees.

TIAA/CREF benefits are payable upon termination at the member's option unless the participant is reemployed in another institution which participates in TIAA/CREF. Upon retirement, participant accumulations are used to purchase an annuity. The benefits are determined as follows: TIAA - accumulations are converted to a fixed guaranteed annuity payable for life. In addition to the guaranteed annuity, a dividend payment is declared each year depending on investment performance; CREF - at retirement the value of the fund is converted to a variable annuity. This means the annuity is not guaranteed but rises and falls with the value of equity investments.

J. Plan Net Assets and Changes in Plan Net Assets

Pension plan investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Private equity investments are valued by independent investment advisors based on an analysis of the audited financial statements of the underlying partnerships. The pension funds have no

investments of any commercial or industrial organization whose market value equals five percent or more of each plan's net assets.

The Combining Statement of Plan Net Assets that follows presents the principal components of receivables, investments, and liabilities.

The Combining Statement of Changes in Plan Net Assets presents the additions and deductions to plan net assets.

Combining Statement of Plan Net Assets

Pension and Other Employee Benefit Funds

June 30, 2002

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2 & 3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2 & 3 Defined Benefit
Assets:							
Cash and pooled investments	\$ 1,378	\$ 1,009	\$ 32	\$ 4,833	\$ 694	\$ 2,223	\$ 5,103
Receivables:							
Interest and dividends	38,169	40,093	74	32,569	13,005	3,571	5,200
Due from other funds	11	261	-	10	1,660	-	5,740
Due from other governments	6,613	6,208	-	4,320	728	-	640
Other (net of allowance)	10,382	10,280	19	8,748	4,266	900	1,578
Total Receivables	55,175	56,842	93	45,647	19,659	4,471	13,158
Investments, Noncurrent:							
Asset backed securities	117,595	123,690	229	100,315	40,101	11,011	16,023
Collateralized mort oblig	479,713	504,576	934	409,221	163,588	44,918	65,364
Commercial paper	44,552	46,861	87	38,005	15,193	4,172	6,071
Corporate bonds	1,029,315	1,082,661	2,005	878,060	351,008	96,380	140,251
Corporate stock	480,614	505,523	936	409,989	163,895	45,003	65,487
Govt securities domestic	179,657	188,968	350	153,257	61,265	16,822	24,479
Govt securities foreign	30,326	31,898	59	25,870	10,342	2,840	4,132
Government bonds	2,664	2,802	5	2,272	908	249	363
Repurchase agreements	143,394	150,826	279	122,323	48,899	13,427	19,538
Certificates of deposit	233,066	245,388	210	198,817	79,730	21,571	31,828
Mutual funds	3,743,763	3,937,792	7,290	3,193,629	1,276,667	350,548	510,112
Mortgages	106,366	111,878	207	90,735	36,272	9,960	14,493
Real estate	830,874	873,936	1,618	708,780	283,338	77,799	113,212
Private equity	1,182,335	1,243,612	2,302	1,008,595	403,190	110,708	161,101
Investments on loan	685,747	721,287	1,335	584,978	233,848	64,210	93,437
Short term investments	364,420	389,884	715	319,370	132,376	36,315	55,453
Other noncurrent investments	1,161	621	11,403	1,509	617	781,664	1,089
Total Investments, Noncurrent	9,655,562	10,162,203	29,964	8,245,725	3,301,237	1,687,597	1,322,433
Total Assets	\$ 9,712,115	\$ 10,220,054	\$ 30,089	\$ 8,296,205	\$ 3,321,590	\$ 1,694,291	\$ 1,340,694
Liabilities:							
Obligations under security lending agreements	\$ 700,871	\$ 736,612	\$ 1,363	\$ 598,396	\$ 239,229	\$ 65,521	\$ 96,424
Accrued liabilities	19,966	11,769	252	16,568	3,624	1,005	1,384
Due to other funds	6,298	972	-	1,914	501	-	196
Total Liabilities	727,135	749,353	1,615	616,878	243,354	66,526	98,004
Net Assets							
Net Assets Held in Trust for:							
Pension Benefits	8,984,980	9,470,701	28,474	7,679,327	3,078,236	1,627,765	1,242,690
(Schedule of funding progress by plan begins on page 112)							
Deferred Compensation Participants							
Total Net Assets	\$ 8,984,980	\$ 9,470,701	\$ 28,474	\$ 7,679,327	\$ 3,078,236	\$ 1,627,765	\$ 1,242,690

State of Washington

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
\$ 624	\$ 1,936	\$ 488	\$ 508	\$ 371	\$ 6	\$ 4,746	\$ 8,620	\$ 381	\$ 32,952
1,411	18,744	9,585	2,525	13	-	-	425	-	165,384
-	5	3	1	1	-	11	21	1	7,725
-	-	4,387	54	18	-	1	-	-	22,969
355	4,780	2,473	636	7	-	-	107	-	44,531
1,766	23,529	16,448	3,216	39	-	12	553	1	240,609
4,347	57,761	29,564	7,784	-	-	-	1,312	-	509,732
17,732	235,628	120,601	31,752	-	-	-	5,351	-	2,079,378
1,647	21,883	11,200	2,949	-	-	-	497	-	193,117
38,048	505,583	258,773	68,129	-	-	-	11,483	-	4,461,696
17,766	236,070	120,828	31,811	-	-	-	5,361	-	2,083,283
6,641	88,245	45,166	11,891	-	-	-	2,004	-	778,745
1,121	14,895	7,624	2,007	-	-	-	338	-	131,452
98	1,308	670	176	-	-	-	30	-	11,545
5,300	70,433	36,050	9,491	-	-	-	1,600	-	621,560
8,544	114,478	58,593	15,427	-	-	-	2,600	-	1,010,252
138,386	1,838,876	941,193	247,796	-	-	-	41,764	-	16,227,816
3,932	52,245	26,741	7,040	-	-	-	1,186	-	461,055
30,713	408,112	208,884	54,995	-	-	-	9,269	-	3,601,530
43,704	580,744	297,242	78,258	-	-	-	13,190	-	5,124,981
25,348	336,828	172,399	45,389	-	-	-	7,650	-	2,972,456
15,027	180,193	97,502	24,519	8,165	-	-	4,065	-	1,628,004
142,110	823	149	119	81	9,307	915	1,669	1,353,000	2,306,237
500,464	4,744,105	2,433,179	639,533	8,246	9,307	915	109,369	1,353,000	44,202,839
\$ 502,854	\$ 4,769,570	\$ 2,450,115	\$ 643,257	\$ 8,656	\$ 9,313	\$ 5,673	\$ 118,542	\$ 1,353,382	\$ 44,476,400
\$ 25,866	\$ 344,509	\$ 176,057	\$ 46,433	\$ 78	\$ 1	\$ 879	\$ 9,409	\$ 89	\$ 3,041,737
423	6,520	2,611	1,055	145	-	11	115	364	65,812
-	79	181	4	-	-	-	5	9	10,159
26,289	351,108	178,849	47,492	223	1	890	9,529	462	3,117,708
476,565	4,418,462	2,271,266	595,765	8,433	9,312	4,783	109,013		40,005,772
								1,352,920	1,352,920
\$ 476,565	\$ 4,418,462	\$ 2,271,266	\$ 595,765	\$ 8,433	\$ 9,312	\$ 4,783	\$ 109,013	\$ 1,352,920	\$ 41,358,692

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit
Additions:							
Contributions:							
Employers	\$ 68,631	\$ 50,954	\$ -	\$ 59,435	\$ 46,360	\$ -	\$ 11,312
Members	72,562	52,557	960	51,835	5,604	142,774	5,270
State	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-
Total Contributions	141,193	103,511	960	111,270	51,964	142,774	16,582
Investment Income:							
Net appreciation (depreciation) in fair value	(887,209)	(907,524)	(753)	(755,813)	(309,314)	(147,991)	(124,199)
Interest and dividends	264,800	270,210	112	226,106	93,239	19,853	37,483
Less: Investment expenses	(21,898)	(22,248)	(7)	(18,659)	(7,097)	(1,952)	(3,138)
Net Investment Income	(644,307)	(659,562)	(648)	(548,366)	(223,172)	(130,090)	(89,854)
Charges for Services	-	6,131	1,035	-	3,034	306	1,109
Transfers from other pension plans	113	1	28,419	46	5	1,539	17,884
Other additions	-	-	-	-	-	-	-
Total Additions	(503,001)	(549,919)	29,766	(437,050)	(168,169)	14,529	(54,279)
Deductions:							
Pension benefits	718,730	60,553	-	679,009	8,669	-	2,048
Pension refunds	7,446	42,087	6	2,313	4,511	18,395	2,397
Transfers to other pension plans	3	30,891	18	-	1,340	244	1,454
Administrative expenses	381	6,040	1,268	176	4,519	175	1,617
Distributions to participants	-	-	-	-	-	-	-
Total Deductions	726,560	139,571	1,292	681,498	19,039	18,814	7,516
Net Increase	(1,229,561)	(689,490)	28,474	(1,118,548)	(187,208)	(4,285)	(61,795)
Net Assets - Beginning	10,214,541	10,160,191	-	8,797,875	3,265,444	1,632,050	1,304,485
Net Assets - Ending	\$ 8,984,980	\$ 9,470,701	\$ 28,474	\$ 7,679,327	\$ 3,078,236	\$ 1,627,765	\$ 1,242,690

State of Washington

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
\$ -	\$ 98	\$ 23,996	\$ -	\$ 229	\$ 532	\$ 8	\$ 759	\$ -	\$ 262,314
36,569	100	39,486	1,246	229	532	8	150	-	409,882
-	-	15,551	-	6,000	-	250	3,270	-	25,071
-	-	-	-	-	-	-	-	119,078	119,078
36,569	198	79,033	1,246	6,458	1,064	266	4,179	119,078	816,345
(33,575)	(433,823)	(213,499)	(57,906)	(2)	(1,199)	(3)	(9,864)	(194,885)	(4,077,559)
8,486	129,561	63,658	17,273	255	290	232	3,193	43,233	1,177,984
(501)	(10,710)	(5,218)	(1,426)	(10)	-	(14)	(261)	-	(93,139)
(25,590)	(314,972)	(155,059)	(42,059)	243	(909)	215	(6,932)	(151,652)	(2,992,714)
447	-	-	-	-	-	-	-	-	12,062
1,448	44	1	249	-	-	-	-	-	49,749
-	-	-	-	-	9	-	6	999	1,014
12,874	(314,730)	(76,025)	(40,564)	6,701	164	481	(2,747)	(31,575)	(2,113,544)
-	252,625	2,743	22,316	8,060	206	656	7,431	-	1,763,046
10,871	92	9,143	199	-	-	-	15	-	97,475
15,735	16	48	-	-	-	-	-	-	49,749
175	236	11	14	-	12	-	61	1,820	16,505
-	-	-	-	-	-	-	-	77,602	77,602
26,781	252,969	11,945	22,529	8,060	218	656	7,507	79,422	2,004,377
(13,907)	(567,699)	(87,970)	(63,093)	(1,359)	(54)	(175)	(10,254)	(110,997)	(4,117,921)
490,472	4,986,161	2,359,236	658,858	9,792	9,366	4,958	119,267	1,463,917	45,476,613
\$ 476,565	\$ 4,418,462	\$ 2,271,266	\$ 595,765	\$ 8,433	\$ 9,312	\$ 4,783	\$ 109,013	\$ 1,352,920	\$ 41,358,692

Note 12 - Commitments and Contingencies

A. Construction and Other Commitments

Outstanding commitments related to state facility construction, improvement, and/or renovation totaled \$2.6 billion at June 30, 2002.

B. Summary of Significant Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits involving state agencies that could impact expenditures. There is a recurring volume of tort and other claims for compensation and damages against the state and some specific state agencies, including the Departments of Transportation, Corrections, Social and Health Services, and the University of Washington. There are risk management funds reserved by the state for these claims and insurance is available to pay a portion of damages for certain types of claims. There has been a trend over the past two years of higher jury verdicts on certain types of damage claims. The collective impact of these claims, however, is not likely to have a material impact on state revenues or expenditures.

Social Service Program Administration Litigation

During the reporting period, there were a number of lawsuits challenging the management and administration of state programs. Some lawsuits seek an expansion of program social services for certain constituents. In *Allen v. Western State Hospital*, for instance, the Washington Protection and Advocacy System has filed a class action lawsuit on behalf of patients with developmental disabilities at Western State Hospital alleging that the state programs are inadequate and the state has failed to provide community based services when appropriate. The trial has been stayed pending further review of whether program changes and funding requests to the Legislature by the Department of Social and Health Services will resolve claims. *Arc, et al. v. Quasim* is a class action on behalf of the persons with developmental disabilities seeking access to Medicaid funded services. The trial has been stayed based on a settlement agreement contingent on additional future funding by the Legislature. If these claims are not resolved through settlement and the cases go to trial, it is difficult to estimate with any certainty the potential amount of damages which might be recovered. These lawsuits, however, are not expected to have a material impact on state revenues or expenditures. If relief is granted, there would be a need to reprioritize agency program expenditures in the budget process to provide program support for individuals in these classes.

Social Security Benefits

There is a class action lawsuit challenging the Department of Social and Health Services' authority to use Social Security benefits received on behalf of a foster child when it acts as a representative payee and applies the benefits toward the costs of the child's foster care. The Department currently receives \$9 million a year in Social Security monies that it uses for this purpose. This is consistent with the practice in other states. The lawsuit sought a declaratory ruling that the state may not obtain and use such funds for foster care services, along with a refund of funds used in the past. The State Supreme Court has determined that the Department may not use the Social Security funds in this manner. The United States Supreme Court has accepted review of this case and argument is scheduled for December 2002. If relief is affirmed, there would be a reduction of revenue to the state in the future, resulting in a need to seek additional funding or reprioritize use of existing funding. There also would be a follow-up proceeding to determine to what extent there should be refunds. It is difficult to estimate with any certainty the potential amount of refunds which might be recovered.

Higher Education

Institutions of higher education occasionally have lawsuits based on program services or salary and benefits. In *McGowan v. State* and *Public School Employees of Washington v. State*, the plaintiffs argue that the State must fund cost of living increases for all school district employees. It is estimated the additional cost to the state for the 2001-02 school year would be about \$99 million. The Thurston County Superior Court denied the relief requested and granted a summary judgment motion in favor of the state's position. This ruling was appealed to the State Supreme Court. The *Mader, et.al v. State* lawsuit is a class action lawsuit by certain part-time faculty at community colleges seeking to establish eligibility under certain pension programs and payment of employer contribution for previous time periods.

The 2002 Legislation appropriated \$12 million to settle these claims and the settlement has received court approval. In a companion case, part-time faculty are also seeking state-paid health care benefits during summer quarter. This case was dismissed in the Court of Appeals, but review and argument are pending before the State Supreme Court.

Tax Refund Litigation

There is a recurring volume of lawsuits seeking refunds of taxes paid to the state. The Department of Revenue is a litigant in more than 100 cases, the large majority of which are excise tax refund claims by corporate taxpayers. None of these cases individually or collectively will likely have a material impact on state revenues or expenditures.

Over the past ten years, we have reported on the recurring litigation challenging the state's business and occupation tax structure (referred to as the interstate manufacturers litigation). This litigation represents the claims of approximately 115 corporate taxpayers for business and occupation tax refunds from periods from 1980 to the present. In the most recent round of this litigation, the United States Supreme Court denied certiorari review of an April 1999 decision by the Washington State Supreme Court. *W.R. Grace & Co. - Conn. And Chrysler Motors Corporation v. State of Washington, Department of Rev., and Buffelen Woodworking Co., et al. v. State of Washington, Department of Rev.* The State Supreme Court denied claims for a refund except to the extent the taxpayers could demonstrate entitlement to credits against their Washington State tax liability measured by gross receipt of taxes paid to other taxing jurisdictions outside of the state. Despite case history, the cases were remanded to Thurston County Superior Court, and the taxpayers have waived refunds measured by tax credits. The taxpayers continue to use other refund claims to try to re-present the issue to the United States Supreme Court. Sizeable refund awards, however, are considered remote.

Medicaid Reimbursement Litigation

In the past there has been periodic litigation involving Medicaid reimbursement issues. Over the last three years, there has been an increase in the number and types of claims. Currently, there are three lawsuits that raise issues such as eligibility for Medicaid benefits and the proper formula for cost reimbursement. For instance, *Sacred Heart Medical Center v. DSHS* involves Medicaid providers who allege that they provided medical care to numerous clients while they were terminated from Medicaid because their Medicaid eligibility had been improperly linked to eligibility for Temporary Assistance to Needy Families. In this suit, the providers claim breach of contract and seek reimbursement for the care provided to these clients. Some of the plaintiffs who provided mental health services also allege that the improperly terminated

individuals should have been included in the state's formula for captivated payments to the Regional Support Networks. The Department will have a better estimate of potential damages on the breach of contract claim once discovery is completed, but we now anticipate that the damages will be in the millions of dollars.

In the past, these types of claims have been limited and focused by courts through motion practice and eventually resolved through settlement agreements and legislative appropriation. It is difficult to predict whether the current cases might result in any significant amount of reimbursement under the theories presented. If substantial costs are recovered in any of those proceedings, there would be a need to reprioritize agency program expenditures in the budget process to cover any additional costs.

C. Federal Assistance

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state. The state does estimate and recognize a claims and judgments liability for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

D. Arbitrage Rebate

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. State agencies and universities responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

Note 13 - Subsequent Events

A. Bond Issues

In August 2002, the state issued \$159.6 million in Various Purpose General Obligation Bonds, Series 2003A, and \$24.9 million in General Obligation Bonds (State Housing Trust Fund), Series 2003T (Taxable).

In October 2002, the state issued \$140.5 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003B, \$158 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003C, and \$605.9 million in Various Purpose General Obligation Refunding Bonds, Series R2003A.

In December 2002, the state issued \$70.3 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R2003B.

B. Certificates of Participation

In August 2002, the state issued \$3.9 million in real estate Certificates of Participation for the Department of General Administration, Series 2002C, and \$5.1 million in real estate Certificates of Participation for Central Washington University, Series 2002D.

In September 2002, the state issued \$6.4 million in Certificates of Participation for various state and local government equipment purchases, Series 2002D, and \$2.7 million in real estate Certificates of Participation for the University of Washington, Series 2002E.

In December 2002, the state issued \$10.5 million in Certificates of Participation for various state and local government equipment purchases, Series 2002E, and \$12.9 million in real estate Certificates of Participation for the Secretary of State, Series 2002F.

C. Tobacco Settlement Securitization

On November 5, 2002, the state of Washington securitized a portion of the revenue stream from the Master Settlement Agreement between the state and certain tobacco manufacturers. The state received \$450 million upon execution of a sales agreement with the Tobacco Settlement Authority (TSA). The TSA was created by the Washington State Legislature as a public instrumentality separate and distinct from the state.

D. Voter Initiatives

On November 5, 2002, voters approved Initiative 776 that reduces state and local transportation funding generated by vehicle license fees. The reduction to state revenues is estimated to be \$9 million in the 2001-2003 Biennium.

The voters also approved Initiative 790 that increases state and local government costs for the law enforcement officers' and fire fighters' pension system. The actual fiscal impacts depend on how provisions for increased benefits are implemented. The minimum cost is estimated to decrease General Fund revenues by \$1 million in the 2001-2003 Biennium.

Required Supplementary Information

Budgetary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	General Fund			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 410,520	\$ 564,950	\$ 564,950	\$ -
Resources:				
Taxes	21,535,714	20,739,562	10,319,064	(10,420,498)
Licenses, permits, and fees	161,284	155,358	75,478	(79,880)
Other contracts and grants	480,967	452,498	217,352	(235,146)
Timber sales	7,255	7,352	3,646	(3,706)
Federal grants-in-aid	9,725,433	9,935,955	4,716,193	(5,219,762)
Charges for services	69,918	72,404	35,060	(37,344)
Interest income	91,500	92,507	30,894	(61,613)
Miscellaneous revenue	97,261	100,910	37,406	(63,504)
Transfers from other funds	351,964	1,198,178	675,759	(522,419)
Total Resources	32,931,816	33,319,674	16,675,802	(16,643,872)
Charges to appropriations:				
General government	2,367,753	2,266,485	1,155,664	1,110,821
Human services	16,292,131	16,186,918	7,932,359	8,254,559
Natural resources and recreation	509,265	480,021	243,740	236,281
Transportation	47,217	46,574	30,036	16,538
Education	13,863,237	13,757,902	6,789,096	6,968,806
Capital outlays	294,045	235,269	34,803	200,466
Transfers to other funds	140,142	140,650	99,803	40,847
Total Charges to appropriations	33,513,790	33,113,819	16,285,501	16,828,318
Excess available for appropriation				
Over (Under) charges to appropriations	(581,974)	205,855	390,301	184,446
Reconciling Items:				
Changes in reserves (net)	-	-	16,332	16,332
Entity adjustments (net)	-	-	30,622	30,622
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	-	-	46,954	46,954
Budgetary Fund Balance, June 30	\$ (581,974)	\$ 205,855	\$ 437,255	\$ 231,400

Budgetary Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation

General Fund

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "Available for Appropriation" from the Budgetary Comparison Schedule	\$ 16,675,802
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(675,759)
Budgetary fund balance at the beginning of the year	(564,950)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and food stamps	347,840
Unanticipated receipts	69,271
Noncash revenues	30,622
Revenues collected for other governments	23,159
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 15,905,985

Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	\$ 16,285,501
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing source (use) for financial reporting purposes.	(640,520)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(99,803)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes.	
Noncash commodities and food stamps	347,840
Expenditures related to unanticipated receipts	69,271
Capital lease acquisitions	7,039
Distributions to other governments	23,159
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 15,992,487

Budgetary Information

Notes to Required Supplementary Information

General Budgetary Policies and Procedures

The Governor is required to submit a budget to the state Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature. The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

Legislative appropriations are strict legal limits on expenditures/expenses, and overexpenditures are prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised only at the beginning of the second year of the biennium and must be initiated by the Governor. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over expenditure of allotments, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year end are reported as reservations of fund balance.

Budgetary Reporting versus GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain activities are excluded from the budgetary schedules because they are not appropriated. These activities include: activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, Unemployment Compensation Fund, Institutional Fund, Higher Education Student Services Fund, Printing Services Fund, Higher Education Revolving Fund, Risk Management Fund, federal surplus food commodities, electronic food stamp benefits, capital leases, note proceeds, and resources collected and distributed to other governments. Further,

certain expenditures are appropriated as operating transfers.

These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues,

Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP reconciliation.

Budgetary Fund Balance consists of unreserved, undesignated fund balance; unreserved fund balance, designated for other specific purposes; and reservation for encumbrances on the Balance Sheet.

Pension Plan Information

Public Employees' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997	12/31/1996
Actuarial Value of Plan Assets	\$ 10,990	\$ 11,111	\$ 10,456	\$ 9,219	\$ 8,211	\$ 7,197
Actuarial Accrued Liability	12,088	11,695	11,636	11,227	10,817	10,339
Unfunded Actuarial Liability	1,098	584	1,180	2,008	2,606	3,142
Percentage Funded	91%	95%	90%	82%	76%	70%
Covered Payroll	1,085	1,132	1,184	1,233	1,271	1,308
Unfunded Actuarial Liability as a Percentage of Covered Payroll	101%	52%	100%	163%	205%	240%

Source: Washington State Office of the State Actuary

Teachers' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	9/30/2001	6/30/2000	6/30/1999	6/30/1998	6/30/1997	6/30/1996
Actuarial Value of Plan Assets	\$ 9,342	\$ 9,372	\$ 8,696	\$ 7,819	\$ 6,844	\$ 5,924
Actuarial Accrued Liability	9,895	9,566	9,529	9,354	9,044	8,796
Unfunded Actuarial Liability	553	194	833	1,535	2,200	2,872
Percentage Funded	94%	98%	91%	84%	76%	67%
Covered Payroll	800	957	984	1,046	1,083	1,128
Unfunded Actuarial Liability as a Percentage of Covered Payroll	69%	20%	85%	147%	203%	255%

Source: Washington State Office of the State Actuary

Pension Plan Information

Law Enforcement Officers' and Fire Fighters' Retirement System- Plan 1

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997	12/31/1996
Actuarial Value of Plan Assets	\$ 5,369	\$ 5,440	\$ 5,150	\$ 4,568	\$ 4,087	\$ 3,594
Actuarial Accrued Liability	4,153	4,002	4,125	3,906	3,767	4,006
Unfunded (Assets in Excess of)						
Actuarial Liability	(1,216)	(1,437)	(1,024)	(662)	(320)	412
Percentage Funded	129%	136%	125%	117%	108%	90%
Covered Payroll	87	95	106	117	128	137
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	301%

Source: Washington State Office of the State Actuary

Judicial Retirement System

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997	12/31/1996
Actuarial Value of Plan Assets	\$ 10	\$ 10	\$ 9	\$ 8	\$ 5	\$ 4
Actuarial Accrued Liability	91	93	94	97	95	92
Unfunded Actuarial Liability	81	83	85	89	90	88
Percentage Funded	11%	11%	10%	8%	5%	4%
Covered Payroll	3.0	4.0	4.0	4.0	4.0	5.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	2700%	2075%	2125%	2225%	2250%	1760%

Source: Washington State Office of the State Actuary

Pension Plan Information

Volunteer Fire Fighters' Relief and Pension Fund

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	12/31/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997	12/31/1996
Actuarial Value of Plan Assets	\$ 129	\$ 126	\$ 118	\$ 102	\$ 91	\$ 74
Actuarial Accrued Liability	99	96	98	94	69	67
Unfunded (Assets in Excess of)						
Actuarial Liability	(30)	(30)	(20)	(8)	(22)	(7)
Percentage Funded	130%	131%	120%	109%	132%	110%
Covered Payroll*	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

*Covered Payroll is not presented because it is not applicable since this is a volunteer organization.

Source: Washington State Office of the State Actuary

Judges' Retirement Fund

Schedule of Funding Progress

Valuation Years 2001 through 1996 (dollars in millions)

	2001	2000	1999	1998	1997	1996
Actuarial Valuation Date	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997	12/31/1996
Actuarial Value of Plan Assets	\$ 5	\$ 5	\$ 4	\$ 4	\$ 4	\$ 3
Actuarial Accrued Liability	6	6	6	7	7	7
Unfunded Actuarial Liability	1	1	2	3	3	4
Percentage Funded	83%	83%	67%	57%	57%	43%
Covered Payroll	0.1	0.1	0.1	0.1	0.2	0.4
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	1000%	1000%	2000%	3000%	1500%	1000%

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2002 through 1997

	2002	2001	2000	1999	1998	1997
Public Employees' Retirement						
System - Plan 1 (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 164.3	\$ 118.8	\$ 199.2	\$ 237.6	\$ 287.2	\$ 355.0
Employers' Actual Contribution	68.6	181.7	200.2	234.3	226.1	206.0
Percentage Contributed	42%	153%	101%	99%	79%	58%
Public Employees' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 72.0	\$ 55.6	\$ 103.6	\$ 86.6	\$ 106.3	\$ 185.0
Employers' Actual Contribution	51.0	115.0	101.9	238.4	222.8	224.0
Percentage Contributed	71%	207%	98%	275%	210%	121%
Teachers' Retirement						
System - Plan 1 (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 119.8	\$ 90.6	\$ 176.1	\$ 209.7	\$ 269.7	\$ 338.0
Employers' Actual Contribution	59.5	141.3	183.0	222.5	211.6	210.0
Percentage Contributed	50%	156%	104%	106%	78%	62%
Teachers' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 66.7	\$ 40.4	\$ 56.2	\$ 45.9	\$ 59.8	\$ 82.0
Employers' Actual Contribution	46.4	69.6	75.3	100.2	105.6	103.0
Percentage Contributed	70%	172%	134%	218%	177%	126%
School Employees' Retirement						
System - Plan 2/3 (expressed in millions)						
Employers' Annual Required						
Contribution	\$ 19.5	\$ 6.7	**	**	**	**
Employers' Actual Contribution	11.3	19.9	**	**	**	**
Percentage Contributed	58%	297%	**	**	**	**

** SERS did not exist prior to 9/1/2000

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2002 through 1997

	2002	2001	2000	1999	1998	1997
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	\$ -	\$ -	\$ 6.3	\$ 6.9	\$ 7.5	\$ 8.1
Employers' Actual Contribution	0.1	0.1	6.3	7.2	7.6	8.2
Percentage Contributed	NA	NA	100%	104%	101%	101%
State Annual Required Contribution	-	-	-	-	-	67.1
State Actual Contribution	-	-	-	48.8	50.4	66.7
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	99%

Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2 (expressed in millions)						
Employers' Annual Required Contribution	\$ 26.2	\$ 20.3	\$ 26.9	\$ 22.3	\$ 22.5	\$ 28.1
Employers' Actual Contribution	24.0	31.5	26.2	34.3	31.1	28.5
Percentage Contributed	92%	155%	97%	154%	138%	101%
State Annual Required Contribution	17.5	13.5	18.0	14.9	15.0	18.7
State Actual Contribution	15.6	20.9	17.1	22.2	20.1	17.7
Percentage Contributed	89%	155%	95%	149%	134%	95%

Washington State Patrol Retirement System (expressed in millions)						
Employers' Annual Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.5
Employers' Actual Contribution	-	-	-	5.9	6.0	6.8
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	1360%

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2002 through 1997

	2002	2001	2000	1999	1998	1997
Judicial Retirement System (expressed in millions)						
Employers' Annual Required Contribution	\$ 14.2	\$ 13.3	\$ 12.5	\$ 12.2	\$ 11.6	\$ 12.7
Employers' Actual Contribution	6.2	7.3	7.3	8.8	8.8	6.9
Percentage Contributed	44%	55%	58%	72%	76%	54%
Judges' Retirement Fund (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4
Employers' Actual Contribution	0.3	0.8	0.8	0.8	0.8	0.8
Percentage Contributed	150%	400%	267%	267%	200%	200%
Volunteer Fire Fighters' Relief and Pension Fund (expressed in millions)						
Employers' Annual Required Contribution	\$ 0.8	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.7	\$ 0.5
Employers' Actual Contribution	0.8	0.7	0.7	0.8	0.7	0.6
Percentage Contributed	100%	100%	100%	100%	100%	120%
State Annual Required Contribution	-	-	0.1	0.8	-	0.4
State Actual Contribution	3.3	3.3	2.7	2.5	2.0	3.0
Percentage Contributed	N/A	N/A	2700%	313%	N/A	750%

Source: Washington State Office of the State Actuary

Pension Plan Information

Notes to the Required Supplementary Information

Defined Benefit Pension Plans

For the Fiscal Year Ended June 30, 2002

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation - date	9/30/2001	9/30/2001	9/30/2001	9/30/2001	9/30/2001
Actuarial cost method	entry age	aggregate**	entry age	aggregate**	aggregate**
Amortization Method					
Funding	level %	n/a	level %	n/a	n/a
GASB	level \$	n/a	level \$	n/a	n/a
Remaining amortization period (closed)	6/30/2024	n/a	6/30/2024	n/a	n/a
Asset valuation method	4-year smoothed fair value	4-year smoothed fair value	4-year smoothed fair value	4-year smoothed fair value	4-year smoothed fair value
Actuarial assumptions:					
Investment rate of return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected salary increases					
Salary Inflation at 4.5%, plus the merit increases described below:					
initial salary merit (grades down to 0%)	6.1%	6.1%	6.2%	6.2%	7.0%
merit period (years of service)	17 yrs	17 yrs	17 yrs	17 yrs	17 yrs
Includes inflation at	3.50%	3.50%	3.50%	3.50%	3.50%
Cost of living adjustments	Uniform COLA* Gainsharing COLA*	CPI increase, maximum 3%	Uniform COLA* Gainsharing COLA*	CPI increase, maximum 3%	CPI increase, maximum 3%

* Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.

The Uniform COLA increase is added every July. On 7/1/1999, it was \$0.77 per year of service.

The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are achieved.

For 2000, the gain sharing COLA was \$0.28 per year of service. On 1/1/2002, no Gainsharing COLA was added.

The Uniform COLA amount is calculated as the last Uniform COLA amount plus any Gainsharing COLA amount,

all increased by 3%. On 7/1/2000, it was $(\$0.77 + \$0.28) \times 1.03 = \$1.08$. On 7/1/2001, it was $(\$1.08 + \$0.00) \times 1.03 = \$1.11$.

On 7/1/2002, it was $(\$1.11 + \$0.00) \times 1.03 = \$1.14$.

** The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

*** pay-as-you-go basis funding

LEOFF Plan 1	LEOFF Plan 2	WSPRS	JRS	Judges	VFFRPF
9/30/2001	9/30/2001	9/30/2001	9/30/2001	9/30/2001	12/31/2001
entry age	aggregate**	aggregate**	entry age***	entry age***	entry age
level %	n/a	n/a	n/a	n/a	level \$
level \$	n/a	n/a	level \$	level \$	level \$
6/30/2024	n/a	n/a	12/31/2008	12/31/2008	12/31/2017
4-year smoothed fair value	4-year smoothed fair value	4-year smoothed fair value	market	market	4-year smoothed fair value
8.00%	8.00%	8.00%	8.00%	8.00%	8.00% n/a
11.7%	11.7%	6.0%	0.0%	0.0%	n/a
21 yrs	21 yrs	20 yrs			none
3.50%	3.50%	3.50%	3.50%	3.50%	
CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	3.00%	none	

Information about Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

Pavement Condition

The Washington State Department of Transportation (WSDOT) owns and maintains 19,164 lane miles of highway, including ramps and collectors. WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition

(PSC), International Roughness Index (IRI), and Rutting. In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost, which has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown slight decreases in the percent of pavements in poor or worse condition.

WSDOT uses the following scale for Pavement Structural Condition (PSC):

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having “hairline” severity alligator cracking will have a PSC of 80.
Good	60 - 80	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having “hairline” alligator cracking will have a PSC of 70.
Fair	40 - 60	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having “hairline” alligator cracking will have a PSC of 50.
Poor	20 - 40	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 30.
Very Poor	0 - 20	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The PSC is a measure based on distresses such as cracking and patching which are related to the pavement’s ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a PSC of 50. A PSC of 50 can occur due to various amounts and severity of distress. See above table for examples for flexible pavements such as asphalt. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to ¼ inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The International Roughness Index (IRI) uses a scale in inches per mile. Rutting is measured in millimeters. The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement which is assigned the lowest category of any of the three ratings. The following table

shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rut
Very Good	100 – 80	≤ 95	≤ 4
Good	80 – 60	95 – 170	4 – 8
Fair	60 – 40	170 – 220	8 – 12
Poor	40 – 20	220 – 320	12 – 16
Very Poor	0 – 20	> 320	> 16

Notes: Based on WSPMS 2002 database. Ramps are not included. Based on all three indices: PSC, IRI and Rut. A section of pavement is assigned the lowest category based on the three indices. The following table lists the explanatory categories and the ranges of the underlying indices. From 1991 - 1998, previous year IRI and rut values were used for those sections that were not surveyed in a particular year.

Beginning in 1999, the pavement distress survey procedure changed from a visual survey to an automated survey. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. This change has also resulted in a more detailed classification and recording of various distresses that are rated.

Pavement condition surveys are generally conducted in the fall of each year, then analyzed during the winter and spring, with the previous year's results available by July each year. The chart below shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described above.

Condition Rating of Washington State Department of Transportation's Pavement

	Percentage of Pavement in Fair or Better Condition				
	<u>2001*</u>	<u>2000*</u>	<u>1999*</u>	<u>1998*</u>	<u>1997*</u>
Statewide - Chip Seals	89	92	91	76	76
Statewide - Asphalt	92	95	93	90	89
Statewide - Concrete	92	92	90	92	92
Statewide - All Pavements (based on total lane miles rated)	91	94	92	87	86

	Percentage of Pavement in Poor or Very Poor Condition				
	<u>2001*</u>	<u>2000*</u>	<u>1999*</u>	<u>1998*</u>	<u>1997*</u>
Statewide - Chip Seals	11	8	9	24	24
Statewide - Asphalt	8	5	7	10	11
Statewide - Concrete	8	8	10	8	8
Statewide - All Pavements (based on total lane miles rated)	9	6	8	13	14

* Calendar year data. Assessments are typically made in the fall of each year, and verified during the winter and spring, with final results released in June. Years indicated are when the physical assessment was done in the fall.

More information about pavement management at the Department of Transportation may be obtained at:
http://www.wsdot.wa.gov/fossc/mats/pavement/pave_management_main.htm

Bridge Condition

There are 3,063 state-owned bridges with a total deck area of 45,261,272 square feet. All bridges are inspected on a two to four year interval, with no more than 10 percent of the bridges inspected less than every three years. Underwater bridge components are inspected by divers at least once every five years. Special emphasis is given to the ongoing inspection and maintenance of major bridges which represent a significant public investment due to size, complexity or strategic location. Information related to public bridges is maintained in the Washington State Bridge Inventory System (WSBIS). This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the Federal Highway Administration (FHWA).

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy. Three categories of condition were established in relation to the FHWA criteria as follows:

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

Notes: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

Condition Rating of Washington State Department of Transportation's Bridges

Percentage of Bridges in Fair or Better Condition					
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Reinforced Concrete (1283 bridges in FY 2002)	97	96	95	na	na
Prestressed Concrete (1271 bridges in FY 2002)	99.5	99	99	na	na
Steel (344 bridges in FY 2002)	92	91	91	na	na
Timber (65 bridges in FY 2002)	70	71	71	na	na
Statewide - All Bridges (2963 bridges out of 3063 in FY 2002)	96.7	96	95	na	na

Percentage of Bridges in Poor Condition					
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Reinforced Concrete (38 bridges in FY 2002)	3	4	5	na	na
Prestressed Concrete (6 bridges in FY 2002)	0.5	1	1	na	na
Steel (28 bridges in FY 2002)	8	9	9	na	na
Timber (28 bridges in FY 2002)	30	29	29	na	na
Statewide - All Bridges (100 bridges out of 3063 in FY 2002)	3.3	4	5	na	na

na - data not available

Notes: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic allowed. WSDOT currently has 14 posted bridges and 152 restricted bridges. Posted bridges have signs posted which inform of legal weight limits. Restricted bridges are those where overweight permits will not be issued

for travel by overweight vehicles. Refer to <http://www.wsdot.wa.gov/fossc/maint/motor/> for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT has no closed bridges at the present time.

Additional information regarding the Department of Transportation's bridge inspection program may be obtained at:

<http://www.wsdot.wa.gov/eesc/bridge/index.cfm> or
<http://www.wsdot.wa.gov/accountability/GrayNotebookDec-01.pdf>

Emergency Air Field Condition

The Washington State Department of Transportation (WSDOT), through its Aviation Division is authorized by RCW 47.68.100 to acquire and maintain airports. Under this authority, WSDOT owns eight emergency airfields and leases several others. Most of the airfields are located near or adjacent to state highways and range in character from paved to gravel or turf. The prime task of the airfields is to provide emergency facilities. Two airfields are in operational condition twelve months of

the year, with five operational from June to October each year. One is only available for emergency search and rescue use. Maintenance is done on each airfield annually to keep it at its existing condition of use. Each airfield is inspected a minimum of three times per year.

The definitions below form the rating criteria for the current airfield condition ratings which follow.

Category	Definition
General Use Community Airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Limited Use Community Airport	An airport with an unpaved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
General Recreational Use Airport	An airport with a turf (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited Search and Rescue Forward Operating Location	An airport with a landing pad only capable of accommodating rotorcraft.

Washington State Emergency Airfields

<u>Condition Rating</u>	<u>Number of Airports</u>					
Owened airports:						
Acceptable for general use as a community airport	2					
Acceptable for limited use as a community airport	1					
Acceptable for general recreation use	4					
Limited search and rescue forward operating location	1					
Total owned airports	8					
		<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Percentage of airports acceptable for general recreational use or better		88	88	88	88	na
Percentage of airports not acceptable for general recreational use or better		12	12	12	12	na
na - data not available						

Notes: One airport is open only as a limited search and rescue operating location and is expected to remain in that status.

For pictures of specific airfields, see our website at: <http://www.wsdot.wa.gov/Aviation/airports/airport-default.htm>

Information about Infrastructure Assets Reported Using the Modified Approach

Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Pavement:			
Preservation	\$ 134,810	\$ 127,946	\$ 6,864
Maintenance	23,746	19,485	4,261
Total	<u>\$ 158,556</u>	<u>\$ 147,431</u>	<u>\$ 11,125</u>
Bridges:			
Preservation	\$ 24,270	\$ 16,307	\$ 7,963
Maintenance	11,430	11,012	418
Total	<u>\$ 35,700</u>	<u>\$ 27,319</u>	<u>\$ 8,381</u>
Emergency air fields:	<u>\$ 70</u>	<u>\$ 28</u>	<u>\$ 42</u>

Notes: Numbers for the Pavement and Bridges budget amounts came from the 2001-2003 biennial plan as shown in the WSDOT December 2001 *Monthly Financial Report* for sub-programs P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel maintenance). For FY 2002, the annual budget amount was calculated as half the biennial amount. The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in FY 2002.

The emergency airfields (program F3, State Airport Construction and Maintenance) budget amount came from the same sources as for pavements and bridges described above but is only one fourth of the biennial amount budgeted as half of the biennial budget is assigned for airfields not owned by WSDOT.

The Maintenance Accountability Process (MAP) measures and communicates the outcomes of 34 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as

Level of Service (LOS) ratings. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at:
<http://www.wsdot.wa.gov/fossc/maint/htm/accountability.htm>

The state implemented the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB), including the provisions related to capitalizing and reporting infrastructure on the modified approach, in Fiscal Year 2002. While budget to actual information is not available for years prior to Fiscal Year 2002 using the GASB definitions of preservation and maintenance, historical budget to actual information for the entire Construction and Maintenance programs is available by contacting the WSDOT Budget Office at (360) 705-7500.

**Combining and Individual Fund
Financial Statements –
Nonmajor Funds**

Nonmajor Governmental Funds

The nonmajor governmental funds fall into the four categories of special revenue, debt service, capital projects and permanent funds as described below.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments and for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on the state's general obligation bonds.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments).

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry.

Combining Balance Sheet - by Fund Type

Nonmajor Governmental Funds

June 30, 2002

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets:					
Cash and pooled investments	\$ 2,538,644	\$ 115,024	\$ 380,901	\$ 15,212	\$ 3,049,781
Investments	35,712	516	513	162,654	199,395
Taxes receivable (net of allowance)	87,351	-	-	-	87,351
Other receivables (net of allowance)	209,749	21	13,808	1,651	225,229
Due from other funds	305,710	1,745	27,636	-	335,091
Due from other governments	1,104,242	-	4,933	-	1,109,175
Inventories	28,448	-	-	-	28,448
Total Assets	\$ 4,309,856	\$ 117,306	\$ 427,791	\$ 179,517	\$ 5,034,470
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 155,530	\$ -	\$ 28,829	\$ -	\$ 184,359
Contracts and retainages payable	38,801	-	14,220	-	53,021
Accrued liabilities	67,986	1,589	880	51	70,506
Obligations under security lending agreements	271,921	14,160	11,588	15,149	312,818
Due to other funds	665,120	-	23,113	767	689,000
Due to other governments	79,560	-	44	-	79,604
Deferred revenues	228,067	-	7,759	-	235,826
Claims and judgments payable, current	1,059	-	-	-	1,059
Total Liabilities	1,508,044	15,749	86,433	15,967	1,626,193
Fund Balances:					
Reserved for:					
Encumbrances	334,822	-	306,817	-	641,639
Inventories	28,448	-	-	-	28,448
Permanent funds	-	-	-	163,550	163,550
Other specific purposes	1,092,923	-	2,892	-	1,095,815
Unreserved, designated for:					
Unrealized gains	2,015	-	-	-	2,015
Debt service	-	101,557	-	-	101,557
Other specific purposes	137	-	-	-	137
Unreserved, undesignated reported in:					
Special Revenue Funds	1,343,467	-	-	-	1,343,467
Capital Projects Funds	-	-	31,649	-	31,649
Total Fund Balances	2,801,812	101,557	341,358	163,550	3,408,277
Total Liabilities and Fund Balances	\$ 4,309,856	\$ 117,306	\$ 427,791	\$ 179,517	\$ 5,034,470

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by fund type

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenues:					
Retail sales and use taxes	\$ 36,087	\$ -	\$ -	\$ -	\$ 36,087
Business and occupation taxes	44,687	-	-	-	44,687
Property taxes	133,112	-	-	-	133,112
Excise taxes	70,725	-	-	-	70,725
Motor vehicle and fuel taxes	742,699	-	-	-	742,699
Other taxes	544,965	-	-	-	544,965
Licenses, permits, and fees	536,353	-	-	-	536,353
Timber sales	84,912	-	7,396	-	92,308
Other contracts and grants	11,126	-	6,699	-	17,825
Federal grants-in-aid	782,513	68	1,643	-	784,224
Charges for services	363,308	-	23,438	-	386,746
Investment income	109,693	2,185	6,276	13,251	131,405
Miscellaneous revenue	568,756	5,511	16,307	495	591,069
Total Revenues	4,028,936	7,764	61,759	13,746	4,112,205
Expenditures:					
Current:					
General government	280,645	-	62,890	-	343,535
Human services	1,030,814	-	4,439	-	1,035,253
Natural resources and recreation	363,863	-	13,195	-	377,058
Transportation	1,253,506	-	334	-	1,253,840
Education	390,871	-	56,983	-	447,854
Intergovernmental	326,517	-	-	-	326,517
Capital outlays	686,180	-	387,880	-	1,074,060
Debt service:					
Principal	5,402	406,452	92	-	411,946
Interest	5,295	390,492	78	-	395,865
Total Expenditures	4,343,093	796,944	525,891	-	5,665,928
Excess of Revenues Over (Under) Expenditures	(314,157)	(789,180)	(464,132)	13,746	(1,553,723)
Other Financing Sources (Uses):					
Bonds issued	380,010	-	549,485	-	929,495
Refunding bonds issued	-	87,975	-	-	87,975
Payment to refunded bond escrow agent	-	(92,003)	-	-	(92,003)
Notes issued	605	-	-	-	605
Bond issue premium (discount)	2,958	4,611	4,699	-	12,268
Transfers in	827,280	827,562	70,468	-	1,725,310
Transfers (out)	(1,342,911)	(20,343)	(42,609)	(10,215)	(1,416,078)
Total Other Financing Sources (Uses)	(132,058)	807,802	582,043	(10,215)	1,247,572
Net change in fund balances	(446,215)	18,622	117,911	3,531	(306,151)
Fund Balances - Beginning, as restated	3,248,027	82,935	223,447	160,019	3,714,428
Fund Balances - Ending	\$ 2,801,812	\$ 101,557	\$ 341,358	\$ 163,550	\$ 3,408,277

Nonmajor Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditures for specified purposes. The non-major Special Revenue Funds are described below:

Motor Vehicle Fund revenues are generated from vehicle fuel taxes, vehicle licenses, and federal transportation agencies. This fund accounts for the following: (1) highway activities of the Washington State Patrol; (2) operations of the state ferry system; and (3) maintenance of non-interstate highways and bridges, completion and preservation of the interstate system, and other transportation improvements.

Multimodal Transportation Fund revenues are derived principally from motor vehicle operators. This fund accounts for activities relating to drivers' licensing, driver improvement, financial responsibility, maintenance of driving records, and other non-highway transportation improvements.

Common School Construction Fund revenues are obtained principally from the sale of timber and investment earnings. This fund provides financing to local school districts under the control of the State Board of Education for construction of common school facilities.

The Central Administrative and Regulatory Fund accounts for operating expenditures of certain administrative and regulatory agencies.

The Human Services Fund accounts for the following: (1) funds provided to local governments for the construction or substantial remodeling of detention and correctional facilities; and (2) defraying the cost of administering unemployment compensation.

The Wildlife and Natural Resources Fund accounts for the protection and management programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2002

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Administrative and Regulatory	Human Services
Assets:					
Cash and pooled investments	\$ 381,633	\$ 27,582	\$ 328,547	\$ 369,466	\$ 714,894
Investments	6,183	436	2,123	763	11,203
Taxes receivable (net of allowance)	64,789	46	-	3,929	14,127
Other receivables (net of allowance)	19,196	2,932	44,060	50,409	11,815
Due from other funds	41,040	6,094	14,928	16,625	165,696
Due from other governments	64,692	25,623	3,675	5,445	47,280
Inventories	27,830	189	-	-	249
Total Assets	\$ 605,363	\$ 62,902	\$ 393,333	\$ 446,637	\$ 965,264
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 72,197	\$ 6,883	\$ 409	\$ 16,722	\$ 51,531
Contracts and retainages payable	15,591	397	9,742	2,419	689
Accrued liabilities	23,107	1,568	12	10,049	11,025
Obligations under security lending agreements	49,035	6,054	51,904	8,192	100,125
Due to other funds	48,265	4,029	2,865	15,701	557,094
Due to other governments	49,304	9,146	6,684	2,806	1,563
Deferred revenues	16,636	4,249	41,039	45,786	44,159
Claims and judgments payable, current	-	-	-	1,059	-
Total Liabilities	274,135	32,326	112,655	102,734	766,186
Fund Balances:					
Reserved for:					
Encumbrances	6,078	1,201	110,630	9,841	40,435
Inventories	27,830	189	-	-	249
Other specific purposes	956	1,113	3,665	119,470	15,054
Unreserved, designated for:					
Unrealized gains	-	-	-	-	-
Other specific purposes	-	-	-	-	111
Unreserved, undesignated	296,364	28,073	166,383	214,592	143,229
Total Fund Balances	331,228	30,576	280,678	343,903	199,078
Total Liabilities and Fund Balances	\$ 605,363	\$ 62,902	\$ 393,333	\$ 446,637	\$ 965,264

Wildlife & Natural Resources	Local Construction and Loan	Total
\$ 583,042	\$ 133,480	\$ 2,538,644
14,676	328	35,712
981	3,479	87,351
72,093	9,244	209,749
52,935	8,392	305,710
254,599	702,928	1,104,242
180	-	28,448
\$ 978,506	\$ 857,851	\$ 4,309,856

\$ 7,682	\$ 106	\$ 155,530
9,963	-	38,801
7,450	14,775	67,986
48,567	8,044	271,921
31,048	6,118	665,120
9,160	897	79,560
59,937	16,261	228,067
-	-	1,059
173,807	46,201	1,508,044

156,579	10,058	334,822
180	-	28,448
261,285	691,380	1,092,923
2,015	-	2,015
-	26	137
384,640	110,186	1,343,467
804,699	811,650	2,801,812
\$ 978,506	\$ 857,851	\$ 4,309,856

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Admin. & Regulatory	Human Services
Revenues:					
Retail sales and use taxes	\$ -	\$ 20,497	\$ -	\$ 6,032	\$ -
Business and occupation taxes	-	-	-	-	44,687
Property taxes	-	-	-	133,112	-
Excise taxes	31,182	106	-	(2)	6,118
Motor vehicle and fuel taxes	730,727	1,820	-	-	-
Other taxes	32	-	-	104,074	327,494
Licenses, permits, and fees	295,884	44,103	-	64,275	50,301
Timber sales	16	-	39,303	3,850	-
Other contracts and grants	2,595	165	-	3,293	2,580
Federal grants-in-aid	369,548	176,833	-	16,742	184,569
Charges for services	112,540	2,849	-	43,856	202,467
Investment income	15,106	3,446	13,003	30,250	21,795
Miscellaneous revenue	35,506	35,685	14,022	17,569	398,491
Total Revenues	1,593,136	285,504	66,328	423,051	1,238,502
Expenditures:					
Current:					
General government	2,076	-	-	142,409	58,520
Human services	-	-	-	51,807	976,006
Natural resources and recreation	390	-	-	38,497	1,702
Transportation	956,423	256,302	-	27,998	11,612
Education	-	-	163,058	183,069	44,516
Intergovernmental	244,686	1,536	-	79,212	986
Capital outlays	625,679	22,903	11,336	5,642	5,857
Debt service:					
Principal	2,802	176	-	239	1,468
Interest	860	217	-	218	241
Total Expenditures	1,832,916	281,134	174,394	529,091	1,100,908
Excess of Revenues Over (Under) Expenditures	(239,780)	4,370	(108,066)	(106,040)	137,594
Other Financing Sources (Uses):					
Bonds issued	338,075	-	-	-	-
Notes issued	-	-	-	94	460
Bond issue premium (discount)	2,958	-	-	-	-
Transfers in	91,782	36,085	194,219	238,034	181,942
Transfers (out)	(220,574)	(93,606)	(155,395)	(499,900)	(322,023)
Total Other Financing Sources (Uses)	212,241	(57,521)	38,824	(261,772)	(139,621)
Net change in fund balances	(27,539)	(53,151)	(69,242)	(367,812)	(2,027)
Fund Balances - Beginning, as restated	358,767	83,727	349,920	711,715	201,105
Fund Balances - Ending	\$ 331,228	\$ 30,576	\$ 280,678	\$ 343,903	\$ 199,078

Wildlife and Natural Resources	Local Construction and Loan	Total
\$ 77	\$ 9,481	\$ 36,087
-	-	44,687
-	-	133,112
(2)	33,323	70,725
10,152	-	742,699
78,422	34,943	544,965
81,389	401	536,353
41,743	-	84,912
2,493	-	11,126
34,821	-	782,513
1,596	-	363,308
23,616	2,477	109,693
57,814	9,669	568,756
332,121	90,294	4,028,936
2,379	75,261	280,645
2,843	158	1,030,814
304,081	19,193	363,863
1,171	-	1,253,506
228	-	390,871
97	-	326,517
14,709	54	686,180
717	-	5,402
3,745	14	5,295
329,970	94,680	4,343,093
2,151	(4,386)	(314,157)
17,000	24,935	380,010
51	-	605
-	-	2,958
85,198	20	827,280
(36,572)	(14,841)	(1,342,911)
65,677	10,114	(132,058)
67,828	5,728	(446,215)
736,871	805,922	3,248,027
\$ 804,699	\$ 811,650	\$ 2,801,812

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 545,294	\$ 331,116	\$ 331,116	\$ -
Resources:				
Taxes	1,040,701	977,042	517,255	(459,787)
Licenses, permits, and fees	589,171	608,703	295,198	(313,505)
Other contracts and grants	904	904	2,595	1,691
Timber sales	-	-	16	16
Federal grants-in-aid	624,687	675,441	365,055	(310,386)
Charges for services	219,145	228,837	112,540	(116,297)
Interest income	23,846	23,796	11,676	(12,120)
Miscellaneous revenue	65,588	74,506	34,903	(39,603)
Transfers from other funds	81,792	376,013	91,782	(284,231)
Total Resources	3,191,128	3,296,358	1,762,136	(1,534,222)
Charges to appropriations:				
General government	10,415	10,303	2,211	8,092
Human services	-	-	-	-
Natural resources and recreation	1,124	1,124	398	726
Transportation	1,174,801	1,187,055	574,187	612,868
Education	-	-	-	-
Capital outlays	1,856,186	2,692,695	1,005,606	1,687,089
Transfers to other funds	386,062	675,380	220,394	454,986
Total Charges to appropriations	3,428,588	4,566,557	1,802,796	2,763,761
Excess available for appropriation				
Over (Under) charges to appropriations	(237,460)	(1,270,199)	(40,660)	1,229,539
Reconciling Items:				
Bond sale proceeds	551,240	551,240	338,075	(213,165)
Bond issue premium (discount)	-	-	2,958	2,958
Changes in reserves (net)	-	-	1,374	1,374
Entity adjustments (net)	-	-	3,476	3,476
Accounting and reporting changes (net)	-	-	(2,781)	(2,781)
Total Reconciling Items	551,240	551,240	343,102	(208,138)
Budgetary Fund Balance, June 30	\$ 313,780	\$ (718,959)	\$ 302,442	\$ 1,021,401

Continued

Multimodal Transportation				Common School Construction			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
\$ 3,581	\$ 82,557	\$ 82,557	\$ -	\$ (141,449)	\$ 346,254	\$ 346,254	\$ -
52,313	45,968	22,423	(23,545)	-	-	-	-
86,787	108,980	44,104	(64,876)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	122,175	123,209	39,303	(83,906)
120,282	90,497	5,791	(84,706)	-	-	-	-
-	-	-	-	-	-	-	-
2,249	2,249	2,502	253	5,515	5,517	13,673	8,156
25,067	28,202	11,957	(16,245)	17,504	17,688	14,056	(3,632)
73,822	93,941	36,085	(57,856)	328,552	473,508	194,220	(279,288)
364,101	452,394	205,419	(246,975)	332,297	966,176	607,506	(358,670)
-	109	-	109	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
162,171	174,445	78,030	96,415	-	-	-	-
-	-	-	-	195,720	152,956	129,726	23,230
202,370	107,240	4,341	102,899	670,264	648,989	174,382	474,607
78,959	101,815	72,386	29,429	12,216	12,216	25,669	(13,453)
443,500	383,609	154,757	228,852	878,200	814,161	329,777	484,384
(79,399)	68,785	50,662	(18,123)	(545,903)	152,015	277,729	125,714
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(132)	(132)	-	-	-	-
-	-	(21,256)	(21,256)	-	-	(716)	(716)
-	-	-	-	-	-	-	-
-	-	(21,388)	(21,388)	-	-	(716)	(716)
\$ (79,399)	\$ 68,785	\$ 29,274	\$ (39,511)	\$ (545,903)	\$ 152,015	\$ 277,013	\$ 124,998

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Central Administrative and Regulatory			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 898,907	\$ 231,096	\$ 231,096	\$ -
Resources:				
Taxes	295,898	39,011	157,220	118,209
Licenses, permits, and fees	104,514	81,168	50,418	(30,750)
Other contracts and grants	-	-	-	-
Timber sales	6,209	7,598	3,850	(3,748)
Federal grants-in-aid	162,009	57,051	16,731	(40,320)
Charges for services	69,308	66,281	35,133	(31,148)
Interest income	44,098	44,101	32,403	(11,698)
Miscellaneous revenue	17,587	19,535	10,023	(9,512)
Transfers from other funds	351,313	386,087	226,728	(159,359)
Total Resources	1,949,843	931,928	763,602	(168,326)
Charges to appropriations:				
General government	434,702	310,076	139,489	170,587
Human services	122,441	120,766	50,621	70,145
Natural resources and recreation	23,335	51,340	38,625	12,715
Transportation	60,660	60,612	27,414	33,198
Education	393,412	391,260	174,879	216,381
Capital outlays	36,126	37,057	6,214	30,843
Transfers to other funds	130,980	950,438	449,958	500,480
Total Charges to appropriations	1,201,656	1,921,549	887,200	1,034,349
Excess available for appropriation				
Over (Under) charges to appropriations	748,187	(989,621)	(123,598)	866,023
Reconciling Items:				
Bond sale proceeds	14,410	14,410	-	(14,410)
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	361,351	361,351
Entity adjustments (net)	-	-	(13,320)	(13,320)
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	14,410	14,410	348,031	333,621
Budgetary Fund Balance, June 30	\$ 762,597	\$ (975,211)	\$ 224,433	\$ 1,199,644

Continued

Human Services				Wildlife and Natural Resources			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
\$ 13,635	\$ 188,444	\$ 188,444	\$ -	\$ 229,562	\$ 451,078	\$ 451,078	\$ -
615,919	807,698	378,299	(429,399)	176,899	180,067	88,585	(91,482)
100,639	102,142	49,645	(52,497)	110,092	108,035	55,952	(52,083)
3,000	2,855	1,565	(1,290)	13,667	14,609	2,390	(12,219)
-	-	-	-	102,390	110,084	41,743	(68,341)
242,522	291,282	107,003	(184,279)	142,410	107,621	31,609	(76,012)
16,227	16,647	153,832	137,185	4,342	4,367	1,590	(2,777)
8,768	8,768	18,179	9,411	32,129	39,606	20,994	(18,612)
1,690,680	1,693,321	387,272	(1,306,049)	100,204	158,669	98,564	(60,105)
352,296	318,761	181,364	(137,397)	104,625	111,746	80,534	(31,212)
3,043,686	3,429,918	1,465,603	(1,964,315)	1,016,320	1,285,882	873,039	(412,843)
127,105	128,534	58,761	69,773	3,989	5,493	1,823	3,670
2,041,830	2,176,310	865,127	1,311,183	6,145	6,295	2,842	3,453
3,922	3,909	1,828	2,081	490,686	497,425	178,846	318,579
26,297	25,121	12,048	13,073	1,162	1,240	457	783
259	2,858	-	2,858	-	-	-	-
50,067	50,067	19,316	30,751	559,919	648,332	117,419	530,913
469,723	463,095	321,061	142,034	43,623	46,343	29,982	16,361
2,719,203	2,849,894	1,278,141	1,571,753	1,105,524	1,205,128	331,369	873,759
324,483	580,024	187,462	(392,562)	(89,204)	80,754	541,670	460,916
-	-	-	-	26,600	26,600	17,000	(9,600)
-	-	-	-	-	-	-	-
-	-	(391)	(391)	-	-	(2,374)	(2,374)
-	-	(3,296)	(3,296)	-	-	(15,077)	(15,077)
-	-	-	-	-	-	-	-
-	-	(3,687)	(3,687)	26,600	26,600	(451)	(27,051)
\$ 324,483	\$ 580,024	\$ 183,775	\$ (396,249)	\$ (62,604)	\$ 107,354	\$ 541,219	\$ 433,865

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

Concluded

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Local Construction and Loan Fund			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 424,670	\$ 222,979	\$ 222,979	\$ -
Resources:				
Taxes	144,069	138,205	68,266	(69,939)
Licenses, permits, and fees	-	-	-	-
Other contracts and grants	-	-	-	-
Timber sales	-	-	-	-
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	2,533	2,533	1,305	(1,228)
Miscellaneous revenue	100,723	100,716	52,907	(47,809)
Transfers from other funds	-	2	20	18
Total Resources	671,995	464,435	345,477	(118,958)
Charges to appropriations:				
General government	2,664	2,700	1,242	1,458
Human services	-	-	-	-
Natural resources and recreation	587	587	229	358
Transportation	-	-	-	-
Education	-	-	-	-
Capital outlays	562,084	565,740	242,544	323,196
Transfers to other funds	14,871	14,869	14,826	43
Total Charges to appropriations	580,206	583,896	258,841	325,055
Excess available for appropriation				
Over (Under) charges to appropriations	91,789	(119,461)	86,636	206,097
Reconciling Items:				
Bond sale proceeds	44,265	44,264	24,935	(19,329)
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	224	224
Entity adjustments (net)	-	-	8,475	8,475
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	44,265	44,264	33,634	(10,630)
Budgetary Fund Balance, June 30	\$ 136,054	\$ (75,197)	\$ 120,270	\$ 195,467

Nonmajor Debt Service Funds

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the state's general obligation bonds. Debt Service Funds are described below:

The General Obligation Bond Fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Transportation Bond Fund accounts for the accumulation of resources and payment of highway and ferry bond principal and interest.

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2002

(expressed in thousands)

	General Obligation Bond	Transportation Bond	Total
Assets:			
Cash and pooled investments	\$ 25,367	\$ 89,657	\$ 115,024
Investments	98	418	516
Other receivables (net of allowance)	21	-	21
Due from other funds	1,590	155	1,745
Total Assets	\$ 27,076	\$ 90,230	\$ 117,306
Liabilities and Fund Balances			
Liabilities:			
Accrued liabilities	\$ 835	\$ 754	\$ 1,589
Obligations under security lending agreements	2,592	11,568	14,160
Total Liabilities	3,427	12,322	15,749
Fund Balances:			
Unreserved, designated for debt service	23,649	77,908	101,557
Total Fund Balances	23,649	77,908	101,557
Total Liabilities and Fund Balances	\$ 27,076	\$ 90,230	\$ 117,306

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	General Obligation Bond	Transportation Bond	Total
Revenues:			
Federal grants-in-aid	\$ 68	\$ -	\$ 68
Investment income	528	1,657	2,185
Miscellaneous revenue	5,478	33	5,511
Total Revenues	6,074	1,690	7,764
Expenditures:			
Debt service:			
Principal	328,702	77,750	406,452
Interest	332,582	57,910	390,492
Total Expenditures	661,284	135,660	796,944
Excess of Revenues Over (Under) Expenditures	(655,210)	(133,970)	(789,180)
Other Financing Sources (Uses):			
Refunding bonds issued	62,395	25,580	87,975
Payment to refunded bond escrow agent	(65,250)	(26,753)	(92,003)
Bond issue premium (discount)	3,262	1,349	4,611
Transfers in	687,845	139,717	827,562
Transfers (out)	(20,343)	-	(20,343)
Total Other Financing Sources (Uses)	667,909	139,893	807,802
Net change in fund balances	12,699	5,923	18,622
Fund Balances - Beginning, as restated	10,950	71,985	82,935
Fund Balances - Ending	\$ 23,649	\$ 77,908	\$ 101,557

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 144,839	\$ 10,950	\$ 10,950	\$ -
Resources:				
Federal grants-in-aid	-	-	68	68
Interest income	-	-	-	-
Miscellaneous revenue	-	-	-	-
Transfers from other funds	128,182	128,024	70,552	(57,472)
Total Resources	273,021	138,974	81,570	(57,404)
Charges to appropriations:				
General government	130,634	130,634	65,508	65,126
Debt service	-	-	407	(407)
Total Charges to appropriations	130,634	130,634	65,915	64,719
Excess available for appropriation Over (Under) charges to appropriations	142,387	8,340	15,655	7,315
Reconciling Items:				
Proceeds of refunding bonds	-	-	62,395	62,395
Payments to refunded bond escrow agents	-	-	(65,250)	(65,250)
Bond issue premium (discount)	-	-	3,262	3,262
Entity adjustments (net)	-	-	7,587	7,587
Total Reconciling Items	-	-	7,994	7,994
Budgetary Fund Balance, June 30	\$ 142,387	\$ 8,340	\$ 23,649	\$ 15,309

Transportation Bond			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
\$ 100,820	\$ 71,985	\$ 71,985	\$ -
-	-	-	-
2,620	2,620	1,691	(929)
-	-	-	-
297,431	297,431	139,717	(157,714)
400,871	372,036	213,393	(158,643)
297,431	301,535	135,485	166,050
-	-	176	(176)
297,431	301,535	135,661	165,874
103,440	70,501	77,732	7,231
-	-	25,580	25,580
-	-	(26,753)	(26,753)
-	-	1,349	1,349
-	-	-	-
-	-	176	176
\$ 103,440	\$ 70,501	\$ 77,908	\$ 7,407

Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition and construction of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments). The Capital Projects Funds are described below:

The State Facilities Fund accounts for the construction and remodeling of public buildings.

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2002

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Assets:			
Cash and pooled investments	\$ 276,609	\$ 104,292	\$ 380,901
Investments	45	468	513
Other receivables (net of allowance)	9,764	4,044	13,808
Due from other funds	24,420	3,216	27,636
Due from other governments	4,296	637	4,933
Total Assets	\$ 315,134	\$ 112,657	\$ 427,791
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 20,424	\$ 8,405	\$ 28,829
Contracts and retainages payable	11,323	2,897	14,220
Accrued liabilities	870	10	880
Obligations under security lending agreements	1,152	10,436	11,588
Due to other funds	22,468	645	23,113
Due to other governments	35	9	44
Deferred revenues	7,606	153	7,759
Total Liabilities	63,878	22,555	86,433
Fund Balances:			
Reserved for:			
Encumbrances	218,305	88,512	306,817
Other specific purposes	2,892	-	2,892
Unreserved, undesignated	30,059	1,590	31,649
Total Fund Balances	251,256	90,102	341,358
Total Liabilities and Fund Balances	\$ 315,134	\$ 112,657	\$ 427,791

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Revenues:			
Timber sales	\$ 7,222	\$ 174	\$ 7,396
Other contracts and grants	-	6,699	6,699
Federal grants-in-aid	-	1,643	1,643
Charges for services	-	23,438	23,438
Investment income	231	6,045	6,276
Miscellaneous revenue	8,690	7,617	16,307
Total Revenues	16,143	45,616	61,759
Expenditures:			
Current:			
General government	62,608	282	62,890
Human services	4,439	-	4,439
Natural resources and recreation	13,195	-	13,195
Transportation	334	-	334
Education	24,481	32,502	56,983
Capital outlays	255,911	131,969	387,880
Debt service:			
Principal	11	81	92
Interest	33	45	78
Total Expenditures	361,012	164,879	525,891
Excess of Revenues Over (Under) Expenditures	(344,869)	(119,263)	(464,132)
Other Financing Sources (Uses):			
Bonds issued	484,950	64,535	549,485
Bond issue premium (discount)	4,103	596	4,699
Transfers in	404	70,064	70,468
Transfers (out)	(3,261)	(39,348)	(42,609)
Total Other Financing Sources (Uses)	486,196	95,847	582,043
Net change in fund balances	141,327	(23,416)	117,911
Fund Balances - Beginning, as restated	109,929	113,518	223,447
Fund Balances - Ending	\$ 251,256	\$ 90,102	\$ 341,358

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	State Facilities			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 276,864	\$ 106,418	\$ 106,418	\$ -
Resources:				
Other contracts and grants	-	-	-	-
Timber sales	12,412	13,001	7,222	(5,779)
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	767	767	254	(513)
Miscellaneous revenue	294	15,106	7,872	(7,234)
Transfers from other funds	742	7,425	405	(7,020)
Total Resources	291,079	142,717	122,171	(20,546)
Charges to appropriations:				
General government	13,423	10,617	1,941	8,676
Education	-	-	-	-
Capital outlays	1,284,838	1,372,746	359,069	1,013,677
Transfers to other funds	2,170	2,170	3,261	(1,091)
Total Charges to appropriations	1,300,431	1,385,533	364,271	1,021,262
Excess available for appropriation Over (Under) charges to appropriations	(1,009,352)	(1,242,816)	(242,100)	1,000,716
Reconciling Items:				
Bond sale proceeds	1,197,100	1,197,100	484,950	(712,150)
Bond issue premium (discount)	-	-	4,103	4,103
Changes in reserves (net)	-	-	940	940
Entity adjustments (net)	-	-	471	471
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	1,197,100	1,197,100	490,464	(706,636)
Budgetary Fund Balance, June 30	\$ 187,748	\$ (45,716)	\$ 248,364	\$ 294,080

Higher Education Facilities			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
\$ 124,903	\$ 113,518	\$ 113,518	\$ -
-	-	6,699	6,699
300	300	174	(126)
-	-	1,643	1,643
-	36,733	23,438	(13,295)
3,683	4,120	5,985	1,865
219	519	6,295	5,776
24,698	123,086	70,064	(53,022)
153,803	278,276	227,816	(50,460)
1,282	668	323	345
1,103	1,103	663	440
290,433	275,064	112,155	162,909
31,143	49,919	39,348	10,571
323,961	326,754	152,489	174,265
(170,158)	(48,478)	75,327	123,805
68,695	68,695	64,535	(4,160)
-	-	596	596
-	-	-	-
-	-	(50,356)	(50,356)
-	-	-	-
68,695	68,695	14,775	(53,920)
\$ (101,463)	\$ 20,217	\$ 90,102	\$ 69,885

Nonmajor Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The non-major permanent fund is described below:

The Common School Permanent Fund accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Balance Sheet
Nonmajor Permanent Funds
 June 30, 2002
 (expressed in thousands)

	Common School Permanent
Assets:	
Cash and pooled investments	\$ 15,212
Investments	162,654
Other receivables (net of allowance)	1,651
Total Assets	\$ 179,517
Liabilities and Fund Balances	
Liabilities:	
Accrued liabilities	\$ 51
Obligations under security lending agreements	15,149
Due to other funds	767
Total Liabilities	15,967
Fund Balances:	
Reserved for:	
Permanent funds	163,550
Total Fund Balances	163,550
Total Liabilities and Fund Balances	\$ 179,517

Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Permanent Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Common School Permanent
Revenues:	
Investment income	\$ 13,251
Miscellaneous revenue	495
Total Revenues	<u>13,746</u>
Other Financing Sources (Uses):	
Transfers in	-
Transfers (out)	(10,215)
Total Other Financing Sources (Uses)	<u>(10,215)</u>
Net change in fund balances	3,531
Fund Balances - Beginning, as restated	<u>160,019</u>
Fund Balances - Ending	<u><u>\$ 163,550</u></u>

Nonmajor Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are described below:

The Liquor Fund is used to account for the administration and operation of state liquor stores, warehouses, and the distribution of net proceeds.

The Convention and Trade Fund is used to account for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

The Lottery Fund is used to account for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

The Institutional Fund accounts for the enterprise activities (industries) carried out through vocational/education programs at the correctional institutions.

The Higher Education Student Services Fund is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

The Health Insurance Fund accounts for payment of health care coverage to low-income residents and premiums for employees' insurance benefit contracts.

The Other Activities Fund accounts for the following: (1) the advanced college tuition payment program; (2) the operation of computer systems for legislative information; (3) the production and sale of statute law publications and official reports; and (4) Judicial Information System users.

Combining Statement of Fund Net Assets

Nonmajor Enterprise Funds

June 30, 2002

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Assets				
Current Assets:				
Cash and pooled investments	\$ 322	\$ 29,413	\$ 27,592	\$ 15,866
Investments	-	-	70,844	-
Taxes receivable (net of allowance)	4,101	-	-	-
Other receivables (net of allowance)	5,322	4,384	17,001	246
Due from other funds	2,630	990	5,893	2,234
Due from other governments	-	-	-	357
Inventories	31,562	-	506	6,426
Prepaid expenses	-	359	482	53
Total Current Assets	43,937	35,146	122,318	25,182
Noncurrent Assets:				
Investments, noncurrent	-	-	527,135	13
Other noncurrent assets	-	-	-	-
Capital Assets:				
Land	177	18,279	-	-
Buildings	-	197,016	-	-
Other improvements and miscellaneous	134	2,882	770	1,956
Furnishings and equipment	4,781	4,315	2,733	13,055
Accumulated depreciation	(3,401)	(55,632)	(2,694)	(7,125)
Construction in progress	28,537	181,666	-	-
Total Noncurrent Assets	30,228	348,526	527,944	7,899
Total Assets	\$ 74,165	\$ 383,672	\$ 650,262	\$ 33,081
Liabilities				
Current Liabilities:				
Accounts payable	\$ 12,995	\$ 16	\$ 1,466	\$ 1,725
Contracts and retainages payable	-	2,240	-	-
Accrued liabilities	12,033	2,125	94,846	896
Obligations under security lending agreements	-	-	-	-
Bonds and notes payable	2,377	14,360	-	307
Due to other funds	6,000	281	3,865	637
Due to other governments	-	-	-	-
Deferred revenues	-	-	-	45
Claims and judgments payable, current	-	-	-	-
Total Current Liabilities	33,405	19,022	100,177	3,610
Non-Current Liabilities:				
Claims and judgments payable, long-term	-	-	-	-
Bonds and notes payable	14,473	300,007	-	10
Other long-term liabilities	3,588	-	474,338	819
Total Non-Current Liabilities	18,061	300,007	474,338	829
Total Liabilities	51,466	319,029	574,515	4,439
Net Assets:				
Invested in capital assets, net of related debt	13,379	34,158	809	7,569
Unrestricted	9,320	30,485	74,938	21,073
Total Net (Deficit) Assets	\$ 22,699	\$ 64,643	\$ 75,747	\$ 28,642

Higher Education Student Services	Health Insurance	Other Activities	Total
\$ 283,662	\$ 61,539	\$ 75,851	\$ 494,245
1,504	12,989	-	85,337
-	-	-	4,101
101,418	690	923	129,984
3,424	25,462	966	41,599
33,742	11,915	3,936	49,950
28,972	-	2	67,468
6,621	-	184	7,699
459,343	112,595	81,862	880,383
166,613	38,689	115,054	847,504
896	-	70,296	71,192
2,558	-	-	21,014
771,929	-	-	968,945
53,813	-	37	59,592
220,894	1,071	12,873	259,722
(477,611)	(555)	(9,386)	(556,404)
90,505	-	-	300,708
829,597	39,205	188,874	1,972,273
\$ 1,288,940	\$ 151,800	\$ 270,736	\$ 2,852,656
\$ 63,900	\$ 15,224	\$ 1,638	\$ 96,964
7,233	14,715	38	24,226
45,739	215	12,440	168,294
-	12,989	-	12,989
23,316	-	14,310	54,670
11,814	25,566	12,864	61,027
138	-	2,376	2,514
27,943	212	490	28,690
-	46,927	1,053	47,980
180,083	115,848	45,209	497,354
-	-	2,016	2,016
341,698	-	670	656,858
5,469	356	209,750	694,320
347,167	356	212,436	1,353,194
527,250	116,204	257,645	1,850,548
297,075	516	3,352	356,858
464,615	35,080	9,739	645,250
\$ 761,690	\$ 35,596	\$ 13,091	\$ 1,002,108

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional	Higher Education Student Services
Operating Revenues:					
Sales	\$ 363,702	\$ -	\$ -	\$ 39,732	\$ 103,986
Less: Cost of goods sold	253,621	-	-	29,440	72,726
Gross profit	110,081	-	-	10,292	31,260
Charges for services	456	10,649	-	-	791,801
Premiums and assessments	-	-	-	-	-
Lottery ticket proceeds	-	-	438,600	-	-
Miscellaneous revenue	933	14	8	2,805	81,489
Total Operating Revenues	111,470	10,663	438,608	13,097	904,550
Operating Expenses:					
Salaries and wages	31,460	5,275	6,183	8,763	383,096
Employee benefits	9,479	2,086	1,494	1,826	60,949
Personal services	208	4,458	7,722	12	23,063
Goods and services	29,860	4,129	44,822	736	352,604
Travel	328	8	522	84	13,256
Premiums and claims	-	-	-	17	242
Lottery prize payments	-	-	282,246	-	-
Depreciation and amortization	11	4,266	228	1,156	45,259
Miscellaneous expenses	254	41	140	94	20,753
Total Operating Expenses	71,600	20,263	343,357	12,688	899,222
Operating Income (Loss)	39,870	(9,600)	95,251	409	5,328
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	-	(33)	56,284	1	7,481
Interest expense	(44)	(17,309)	(37,001)	(15)	(22,099)
Distributions to other governments	(25,310)	-	(3,723)	-	-
Other revenue (expenses)	53,847	37,191	(18)	-	17,793
Total Nonoperating Revenues (Expenses)	28,493	19,849	15,542	(14)	3,175
Income (Loss) Before Contributions and Transfers	68,363	10,249	110,793	395	8,503
Transfers in	133	-	11,230	393	115,376
Transfers (out)	(59,005)	(5)	(101,662)	(9)	(109,917)
Net Contributions and Transfers	(58,872)	(5)	(90,432)	384	5,459
Change in Net Assets	9,491	10,244	20,361	779	13,962
Net Assets - Beginning, as restated	13,208	54,399	55,386	27,863	747,728
Net Assets - Ending	\$ 22,699	\$ 64,643	\$ 75,747	\$ 28,642	\$ 761,690

Health Insurance	Other Activities	Total
\$ -	\$ -	\$ 507,420
-	-	355,787
-	-	151,633
35	72,395	875,336
823,441	-	823,441
-	-	438,600
10	2,985	88,244
823,486	75,380	2,377,254
3,961	14,702	453,440
935	3,164	79,933
642	2,545	38,650
2,959	12,300	447,410
44	708	14,950
786,289	-	786,548
-	-	282,246
147	1,496	52,563
14,933	74,435	110,650
809,910	109,350	2,266,390
13,576	(33,970)	110,864
3,909	(2,579)	65,063
-	(61)	(76,529)
-	-	(29,033)
(4)	9,816	118,625
3,905	7,176	78,126
17,481	(26,794)	188,990
26,860	-	153,992
(26,996)	(102)	(297,696)
(136)	(102)	(143,704)
17,345	(26,896)	45,286
18,251	39,987	956,822
\$ 35,596	\$ 13,091	\$ 1,002,108

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Cash Flows from Operating Activities:				
Receipts from customers	\$ 369,371	\$ 19,209	\$ 439,244	\$ 41,556
Payments to suppliers	(294,090)	(8,011)	(367,833)	(29,898)
Payments to employees	(40,916)	(7,319)	(7,597)	(10,478)
Other receipts (payments)	933	14	8	2,805
Net Cash Provided (Used) by Operating Activities	35,298	3,893	63,822	3,985
Cash Flows from Noncapital Financing Activities:				
Transfers in	133	-	11,230	393
Transfers out	(59,005)	(5)	(101,662)	(9)
Operating grants and donations received	46	-	-	81
Taxes and license fees collected	54,432	37,190	17	-
Distributions to other governments	(25,310)	-	(3,723)	-
Other noncapital financing activity	37	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(29,667)	37,185	(94,138)	465
Cash Flows from Capital and Related Financing Activities:				
Interest paid	(44)	(14,259)	-	(15)
Principal payments on long-term capital financing	(3,638)	(13,281)	-	(41)
Proceeds from long-term capital financing	-	3,483	-	-
Proceeds from sale of capital assets	68	1	29	117
Acquisitions of capital assets	(6,527)	(7,105)	(197)	(1,810)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(10,141)	(31,161)	(168)	(1,749)
Cash Flows from Investing Activities:				
Receipt of interest	-	-	732	1
Proceeds from sale of investment securities	-	-	998,086	-
Purchases of investment securities	-	-	(960,548)	-
Net Cash Provided by (Used in) Investing Activities	-	-	38,270	1
Net Increase (Decrease) in Cash and Pooled Investments	(4,510)	9,917	7,786	2,702
Cash and Pooled Investments, July 1	4,832	19,496	19,806	13,164
Cash and Pooled Investments, June 30	\$ 322	\$ 29,413	\$ 27,592	\$ 15,866
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 39,870	\$ (9,600)	\$ 95,251	\$ 409
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	11	4,266	228	1,156
Provision for uncollectible accounts	-	-	29	-
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	5,805	8,560	644	1,817
Inventories	(3,785)	-	(117)	1,277
Prepaid expenses	-	13	(482)	(51)
Change in Liabilities: Increase (Decrease)				
Payables	(6,603)	654	(31,731)	(623)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 35,298	\$ 3,893	\$ 63,822	\$ 3,985
Noncash Investing, Capital, and Financing Activities:				
Noncash portion of prior period adjustments	\$ -	\$ -	\$ -	\$ -
Amortization of interest on long-term prize liability	-	-	37,001	-
Increase (decrease) in fair value of investments	-	(33)	55,552	-
Refunding bonds issued	-	7,275	-	-
Refunded bonds redeemed	-	(7,330)	-	-
Net change in deferred gain on refunding activity	-	92	-	-
Accretion of interest on zero coupon bonds	-	2,858	-	-

Higher Education Student Services	Health Insurance	Other Activities	Total
\$ 921,654	\$ 821,341	\$ 23,023	\$ 2,635,398
(501,168)	(796,279)	(4,505)	(2,001,784)
(442,854)	(1,145)	(18,196)	(528,505)
81,489	10	2,986	88,245
59,121	23,927	3,308	193,354
115,376	26,860	-	153,992
(109,917)	(26,996)	(102)	(297,696)
10,129	-	-	10,256
-	-	9,731	101,370
-	-	-	(29,033)
2	31	150	220
15,590	(105)	9,779	(60,891)
(20,885)	-	(61)	(35,264)
(14,046)	(35)	(8,079)	(39,120)
63,386	-	23,832	90,701
1,240	-	728	2,183
(97,725)	(114)	(1,798)	(115,276)
(68,030)	(149)	14,622	(96,776)
18,123	3,492	3,466	25,814
79,287	63	78,028	1,155,464
(78,138)	(939)	(126,836)	(1,166,461)
19,272	2,616	(45,342)	14,817
25,953	26,289	(17,633)	50,504
257,709	35,250	93,484	443,741
\$ 283,662	\$ 61,539	\$ 75,851	\$ 494,245
\$ 5,328	\$ 13,576	\$ (33,970)	\$ 110,864
45,259	147	1,496	52,563
4,690	-	-	4,719
24,772	(2,138)	(49,241)	(9,781)
961	-	101	(1,563)
(922)	-	179	(1,263)
(20,967)	12,342	84,743	37,815
\$ 59,121	\$ 23,927	\$ 3,308	\$ 193,354
\$ (28,738)	\$ -	\$ (3,378)	\$ (32,116)
-	-	-	37,001
(10,955)	417	(6,005)	38,976
24,985	-	-	32,260
(24,260)	-	-	(31,590)
(582)	-	-	(490)
-	-	-	2,858

Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) operation and management of real estate; (3) facilities and related services; (4) central stores; (5) operations of the motor pool; (6) auditing of state and local governmental units; (7) administration of the state civil service law; (8) administrative hearings; and (9) archives and records management.

The Data Processing Revolving Fund accounts for distribution and apportionment of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

The Printing Services Fund accounts for the operation of the state printing plant.

The Higher Education Revolving Fund accounts for stores, data processing, educational, operational printing and duplication, motor pool, and other support service activities at colleges and universities.

The Risk Management Fund accounts for the administration of liability, property, and vehicle claims, including investigation, claim processing, negotiation and settlement, and other expenses relating to settlements and judgments against the state not otherwise budgeted.

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2002

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Assets				
Current Assets:				
Cash and pooled investments	\$ 36,920	\$ 37,260	\$ 868	\$ 36,604
Investments	2,095	-	-	107
Other receivables (net of allowance)	691	222	-	1,609
Due from other funds	26,171	14,027	4,222	6,733
Due from other governments	1,943	2,409	62	193
Inventories	6,490	432	420	11,714
Prepaid expenses	892	852	144	5
Total Current Assets	75,202	55,202	5,716	56,965
Noncurrent Assets:				
Investments, noncurrent	92	-	-	37,365
Capital Assets:				
Land	1,428	-	-	30
Buildings	63,861	-	-	5,255
Other improvements and miscellaneous	10,847	12,844	-	36
Furnishings and equipment	319,551	120,860	10,862	75,395
Accumulated depreciation	(168,162)	(89,458)	(5,961)	(50,590)
Construction in progress	6,005	381	-	-
Total Noncurrent Assets	233,622	44,627	4,901	67,491
Total Assets	\$ 308,824	\$ 99,829	\$ 10,617	\$ 124,456
Liabilities				
Current Liabilities:				
Accounts payable	\$ 8,775	\$ 14,618	\$ 2,057	\$ 5,615
Contracts and retainages payable	786	-	-	29
Accrued liabilities	7,214	1,403	792	7,231
Obligations under security lending agreements	2,095	-	-	-
Bonds and notes payable	3,226	-	-	2,244
Due to other funds	3,186	1,675	60	21,249
Due to other governments	215	3	-	1
Deferred revenues	371	-	-	69
Claims and judgments payable, current	-	-	-	7,000
Total Current Liabilities	25,868	17,699	2,909	43,438
Non-Current Liabilities:				
Claims and judgments payable, long-term	-	-	-	25,440
Bonds and notes payable	39,412	-	-	14,803
Other long-term liabilities	10,728	3,546	-	1,880
Total Non-Current Liabilities	50,140	3,546	-	42,123
Total Liabilities	76,008	21,245	2,909	85,561
Net Assets:				
Invested in capital assets, net of related debt	190,892	44,627	4,901	13,080
Unrestricted	41,924	33,957	2,807	25,815
Total Net (Deficit) Assets	\$ 232,816	\$ 78,584	\$ 7,708	\$ 38,895

Risk Management	Total
\$ 5,366	\$ 117,018
-	2,202
-	2,522
2,243	53,396
1,505	6,112
-	19,056
-	1,893
9,114	202,199
-	37,457
-	1,458
-	69,116
-	23,727
-	526,668
-	(314,171)
-	6,386
-	350,641
\$ 9,114	\$ 552,840
\$ -	\$ 31,065
-	815
11	16,651
-	2,095
-	5,470
1,849	28,019
-	219
-	440
61,049	68,049
62,909	152,823
341,421	366,861
-	54,215
-	16,154
341,421	437,230
404,330	590,053
-	253,500
(395,216)	(290,713)
\$ (395,216)	\$ (37,213)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Operating Revenues:				
Sales	\$ 21,782	\$ 31,588	\$ 34,337	\$ 40,754
Less: Cost of goods sold	15,419	31,045	31,956	33,971
Gross profit	6,363	543	2,381	6,783
Charges for services	247,142	112,021	-	135,713
Premiums and assessments	6,146	-	-	-
Miscellaneous revenue	16,261	559	-	8,961
Total Operating Revenues	275,912	113,123	2,381	151,457
Operating Expenses:				
Salaries and wages	108,875	30,300	2,288	64,526
Employee benefits	23,875	6,054	515	14,418
Personal services	9,819	985	87	6,594
Goods and services	83,805	66,693	1,345	74,223
Travel	1,697	223	36	1,100
Premiums and claims	-	-	-	-
Depreciation and amortization	23,577	20,930	1,357	7,634
Miscellaneous expenses	4,072	1,780	77	4,468
Total Operating Expenses	255,720	126,965	5,705	172,963
Operating Income (Loss)	20,192	(13,842)	(3,324)	(21,506)
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	539	-	46	1,997
Interest expense	(2,330)	-	-	(700)
Other revenue (expenses)	495	(71)	(1)	4,288
Total Nonoperating Revenues (Expenses)	(1,296)	(71)	45	5,585
Income (Loss) Before Contributions and Transfers	18,896	(13,913)	(3,279)	(15,921)
Capital Contributions	3,488	-	-	-
Transfers in	1,068	11,896	-	21,745
Transfers (out)	(3,374)	(27)	-	(15,797)
Net Contributions and Transfers	1,182	11,869	-	5,948
Change in Net Assets	20,078	(2,044)	(3,279)	(9,973)
Net Assets - Beginning, as restated	212,738	80,628	10,987	48,868
Net Assets - Ending	\$ 232,816	\$ 78,584	\$ 7,708	\$ 38,895

Risk Management	Total
\$ -	\$ 128,461
-	112,391
-	16,070
2,544	497,420
63,359	69,505
-	25,781
65,903	608,776
-	205,989
-	44,862
-	17,485
22,584	248,650
-	3,056
167,383	167,383
-	53,498
-	10,397
189,967	751,320
(124,064)	(142,544)
-	2,582
-	(3,030)
-	4,711
-	4,263
(124,064)	(138,281)
-	3,488
-	34,709
-	(19,198)
-	18,999
(124,064)	(119,282)
(271,152)	82,069
\$ (395,216)	\$ (37,213)

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Cash Flows from Operating Activities:				
Receipts from customers	\$ 274,363	\$ 145,816	\$ 35,542	\$ 177,304
Payments to suppliers	(116,946)	(97,731)	(34,692)	(118,296)
Payments to employees	(132,447)	(36,304)	(2,852)	(79,160)
Other receipts (payments)	16,260	559	-	8,961
Net Cash Provided (Used) by Operating Activities	41,230	12,340	(2,002)	(11,191)
Cash Flows from Noncapital Financing Activities:				
Transfers in	1,068	11,896	-	21,745
Transfers out	(3,374)	(27)	-	(15,797)
Operating grants and donations received	-	-	-	52
Other noncapital financing activity	(111)	7	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,417)	11,876	-	6,000
Cash Flows from Capital and Related Financing Activities:				
Interest paid	(2,372)	-	-	(702)
Principal payments on long-term capital financing	(5,214)	-	-	(502)
Proceeds from long-term capital financing	1,392	-	-	11,645
Proceeds from sale of capital assets	9,207	534	65	177
Acquisitions of capital assets	(30,686)	(11,526)	(264)	(9,165)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(27,673)	(10,992)	(199)	1,453
Cash Flows from Investing Activities:				
Receipt of interest	446	-	46	2,218
Proceeds from sale of investment securities	-	-	-	2,503
Purchases of investment securities	-	-	-	(41)
Net Cash Provided by (Used in) Investing Activities	446	-	46	4,680
Net Increase (Decrease) in Cash and Pooled Investments	11,586	13,224	(2,155)	942
Cash and Pooled Investments, July 1	25,334	24,036	3,023	35,662
Cash and Pooled Investments, June 30	\$ 36,920	\$ 37,260	\$ 868	\$ 36,604
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 20,192	\$ (13,842)	\$ (3,324)	\$ (21,506)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	23,577	20,930	1,357	7,634
Provision for uncollectible accounts	5	-	-	-
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	(663)	2,207	1,205	800
Inventories	739	22	15	(237)
Prepaid expenses	(619)	(852)	(53)	15
Change in Liabilities: Increase (Decrease)				
Payables	(2,001)	3,875	(1,202)	2,103
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 41,230	\$ 12,340	\$ (2,002)	\$ (11,191)
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	\$ 3,488	\$ -	\$ -	\$ -
Noncash portion of prior period adjustments	(94)	-	-	(32,440)
Increase (decrease) in fair value of investments	93	-	-	7

Risk Management	Total
\$ 64,873	\$ 697,898
(59,507)	(427,172)
-	(250,763)
-	25,780
5,366	45,743
-	34,709
-	(19,198)
-	52
-	(104)
-	15,459
-	(3,074)
-	(5,716)
-	13,037
-	9,983
-	(51,641)
-	(37,411)
-	2,710
-	2,503
-	(41)
-	5,172
5,366	28,963
-	88,055
\$ 5,366	\$ 117,018
\$ (124,064)	\$ (142,544)
-	53,498
-	5
(1,029)	2,520
-	539
1,621	112
128,838	131,613
\$ 5,366	\$ 45,743
\$ -	\$ 3,488
-	(32,534)
-	100

Fiduciary Funds Statements

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

Private-Purpose Trust Funds

Private-Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private-Purpose Trust Funds are described below:

The Human Services Trust Fund accounts for miscellaneous human services activities such as (1) recoveries on behalf of children receiving support payments; (2) surcharges assessed on all telephone lines to provide telephone service to low-income and physically impaired individuals; and (3) contributions and grants in aid for institutional residents.

The Higher Education Trust Fund accounts for college and university gifts in the support of fellowships and scholarships.

The Miscellaneous Trust Fund accounts for various assets held in trust for other governments, individuals, or the public at large. This includes the administration of unclaimed property, museums and historical societies, K-12 school construction investments, local rail assistance, and various regional environmental trusts.

Agency Funds

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the state, acting in the capacity of an agent, for distribution to other governmental units or other organizations. The Agency Funds are described below:

The Clearing Fund is used as a clearing account primarily for processing payrolls. This fund is also used for other activities such as the following: (1) collection and disbursement of child support payments for clients; (2) processing payments for goods and services purchased; (3) collection and distribution of a portion of motor vehicle excise taxes to local governments and transit districts for public transportation systems; and (4) collection and payment of employer and employee Old Age Survivors Insurance contributions.

The Suspense Fund is used to account for the following: (1) third parties' monies for which final disposition is not yet known; (2) state revenues received without a statement designating source and fund; and (3) state timber sales bid deposits where final disposition is pending.

The Local Government Distributions Fund is used to account for the receipt and allocation of local sales and use taxes, and leasehold taxes imposed by local governments.

The Pooled Investments Fund is used for pooling and investing surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made.

Combining Statement of Fiduciary Net Assets

Private-Purpose Trust Funds

June 30, 2002

(expressed in thousands)

	Human Services Trust	Higher Education Trust	Miscellaneous Trust	Total
Assets				
Current Assets:				
Cash and pooled investments	\$ 1,492	\$ 60,297	\$ 10,813	\$ 72,602
Investments	211	181	-	392
Other receivables (net of allowance)	4,496	110,473	183,947	298,916
Due from other funds	25	662	11,965	12,652
Due from other governments	-	2,219	42	2,261
Prepaid expenses	-	8	-	8
Total Current Assets	6,224	173,840	206,767	386,831
Noncurrent Assets:				
Investments, noncurrent	9	10,717	17,559	28,285
Other noncurrent assets	-	12	134	146
Capital Assets:				
Land	-	7	769	776
Buildings	-	6,568	1,381	7,949
Furnishings and equipment	-	7,252	478	7,730
Accumulated depreciation	-	(7,343)	(574)	(7,917)
Construction in progress	-	-	2,267	2,267
Total Noncurrent Assets	9	17,213	22,014	39,236
Total Assets	\$ 6,233	\$ 191,053	\$ 228,781	\$ 426,067
Liabilities:				
Accounts payable	\$ 5	\$ 603	\$ 617	\$ 1,225
Contracts and retainages payable	-	3	-	3
Accrued liabilities	1,406	2,110	13,800	17,316
Obligations under security lending agreements	211	-	-	211
Due to other funds	25	1,385	767	2,177
Due to other governments	-	161	-	161
Deferred revenues	-	4,059	175,797	179,856
Other long-term liabilities	10	69	22,626	22,705
Total Liabilities	1,657	8,390	213,607	223,654
Net Assets:				
Net assets held in trust for:				
Individuals, organizations & other governments	4,576	182,663	15,174	202,413
Total Net Assets	\$ 4,576	\$ 182,663	\$ 15,174	\$ 202,413

Combining Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Human Services Trust	Higher Education Trust	Other Private-Purpose Trust	Total
Additions:				
Investment Income:				
Interest and dividends	\$ 82	\$ 23,562	\$ 982	\$ 24,626
Other additions:				
Charges for services	73	40,837	242	41,152
Federal grants-in-aid	-	161,436	166	161,602
Other contracts, grants and miscellaneous	340	97,337	21,983	119,660
Total other additions	413	299,610	22,391	322,414
Total Additions	495	323,172	23,373	347,040
Deductions:				
Administrative expenses	67	22,285	5,690	28,042
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	330	305,970	436	306,736
Total Deductions	397	328,255	6,126	334,778
Net Increase (Decrease) Before Transfers	98	(5,083)	17,247	12,262
Transfers in	-	36,207	14,413	50,620
Transfers (out)	-	(25,261)	(37,720)	(62,981)
Net Increase (Decrease)	98	5,863	(6,060)	(99)
Net Assets - Beginning, as restated	4,478	176,800	21,234	202,512
Net Assets - Ending	\$ 4,576	\$ 182,663	\$ 15,174	\$ 202,413

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2002

(expressed in thousands)

	Clearing	Suspense	Local Gov't Distrib.	Pooled Investments	Total
Assets:					
Cash and pooled investments	\$ 30,443	\$ 7,017	\$ 80,446	\$ 24,723	\$ 142,629
Investments	-	-	-	1,519	1,519
Other receivables (net of allowance)	6,072	14	-	47,759	53,845
Due from other funds	7,723	4,090	309,141	197,820	518,774
Due from other governments	7,933	-	-	17,935	25,868
Investments, noncurrent	1,072	-	15,363	4,928	21,363
Other noncurrent assets	75,139	-	-	-	75,139
Total Assets	\$ 128,382	\$ 11,121	\$ 404,950	\$ 294,684	\$ 839,137

Liabilities:					
Accounts payable	\$ 3,553	\$ 2,131	\$ -	\$ 2,820	\$ 8,504
Contracts and retainages payable	12,121	1	-	3,649	15,771
Accrued liabilities	25,569	4,100	1,156	259,944	290,769
Obligations under security lending agreements	731	-	14,321	-	15,052
Due to other funds	8,182	854	9	28,264	37,309
Due to other governments	3,087	4,035	384,094	7	391,223
Other long-term liabilities	75,139	-	5,370	-	80,509
Total Liabilities	\$ 128,382	\$ 11,121	\$ 404,950	\$ 294,684	\$ 839,137

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

Continued

	Balance July 1, 2001*	Additions	Deductions	Balance June 30, 2002
<u>Clearing Fund</u>				
Assets:				
Cash and pooled investments	\$ 34,252	\$ 10,750,705	\$ 10,753,441	\$ 31,516
Other receivables (net of allowance)	8,003	61,684	63,615	6,072
Due from other funds	7,692	1,685	1,655	7,722
Due from other governments	9,059	123	1,249	7,933
Other noncurrent assets	82,154	48,683	55,698	75,139
Total Assets	\$ 141,160	\$ 10,862,880	\$ 10,875,658	\$ 128,382
Liabilities:				
Accounts payable	\$ 3,294	\$ 17,963	\$ 17,704	\$ 3,553
Contracts and retainages payable	13,916	34,200	35,995	12,121
Accrued liabilities	23,318	3,600,031	3,597,780	25,569
Obligations under security lending agreements	622	186	77	731
Due to other funds	8,000	8,482	8,300	8,182
Due to other governments	9,874	56,883	63,670	3,087
Other long-term obligations	82,136	48,701	55,698	75,139
Total Liabilities	\$ 141,160	\$ 3,766,446	\$ 3,779,224	\$ 128,382
<u>Suspense Fund</u>				
Assets:				
Cash and pooled investments	\$ 8,094	\$ 417,761	\$ 418,838	\$ 7,017
Other receivables (net of allowance)	113	6,531	6,630	14
Due from other funds	3,850	1,256	1,016	4,090
Due from other governments	-	2,126	2,126	-
Total Assets	\$ 12,057	\$ 427,674	\$ 428,610	\$ 11,121
Liabilities:				
Accounts payable	\$ 2,126	\$ 8,677	\$ 8,672	\$ 2,131
Contracts and retainages payable	1	158	158	1
Accrued liabilities	4,299	86,068	86,267	4,100
Due to other funds	1,299	899	1,344	854
Due to other governments	4,332	53,651	53,948	4,035
Total Liabilities	\$ 12,057	\$ 149,453	\$ 150,389	\$ 11,121
<u>Local Government Distributions Fund</u>				
Assets:				
Cash and pooled investments	\$ 80,244	\$ 5,403,087	\$ 5,387,522	\$ 95,809
Due from other funds	314,936	793	6,588	309,141
Total Assets	\$ 395,180	\$ 5,403,880	\$ 5,394,110	\$ 404,950
Liabilities:				
Accrued liabilities	\$ 2,051	\$ 2,168	\$ 3,063	\$ 1,156
Obligations under security lending agreements	10,134	4,314	127	14,321
Due to other funds	18	9	18	9
Due to other governments	376,905	1,817,552	1,810,363	384,094
Other long-term obligations	6,072	-	702	5,370
Total Liabilities	\$ 395,180	\$ 1,824,043	\$ 1,814,273	\$ 404,950

* Due to the implementation of Statement No. 34 of the Governmental Accounting Standards Board in Fiscal Year 2002, certain funds were reclassified between Agency and Governmental fund types. Beginning balances were restated accordingly.

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Concluded

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Balance July 1, 2001*	Additions	Deductions	Balance June 30, 2002
<u>Pooled Investments Fund</u>				
Assets:				
Cash and pooled investments	\$ 59,683	\$ 354,650,517	\$ 354,679,030	\$ 31,170
Other receivables (net of allowance)	73,509	48,886	74,636	47,759
Due from other funds	209,555	26,235	37,970	197,820
Due from other governments	12,492	9,389	3,946	17,935
Total Assets	\$ 355,239	\$ 354,735,027	\$ 354,795,582	\$ 294,684
Liabilities:				
Accounts payable	\$ 4,516	\$ 2,027	\$ 3,723	\$ 2,820
Contracts and retainages payable	2,569	348,445	347,365	3,649
Accrued liabilities	275,836	22,690	38,582	259,944
Due to other funds	72,312	16,368	60,416	28,264
Due to other governments	6	1	-	7
Total Liabilities	\$ 355,239	\$ 389,531	\$ 450,086	\$ 294,684
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and pooled investments	\$ 182,273	\$ 371,222,069	\$ 371,238,831	\$ 165,511
Other receivables (net of allowance)	81,625	117,101	144,881	53,845
Due from other funds	536,033	29,969	47,228	518,774
Due from other governments	21,551	11,638	7,321	25,868
Other noncurrent assets	82,154	48,683	55,698	75,139
Total Assets	\$ 903,636	\$ 371,429,460	\$ 371,493,959	\$ 839,137
Liabilities:				
Accounts payable	\$ 9,936	\$ 28,667	\$ 30,099	\$ 8,504
Contracts and retainages payable	16,486	382,803	383,518	15,771
Accrued liabilities	305,504	3,710,957	3,725,692	290,769
Obligations under security lending agreements	10,756	4,500	204	15,052
Due to other funds	81,629	25,758	70,078	37,309
Due to other governments	391,117	1,928,087	1,927,981	391,223
Other long-term obligations	88,208	48,701	56,400	80,509
Total Liabilities	\$ 903,636	\$ 6,129,473	\$ 6,193,972	\$ 839,137

* Due to the implementation of Statement No. 34 of the Governmental Accounting Standards Board in Fiscal Year 2002, certain funds were reclassified between Agency and Governmental fund types. Beginning balances were restated accordingly.

Nonmajor Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state.

Combining Statement of Fund Net Assets

Nonmajor Component Units

June 30, 2002

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Totals
Assets					
Current Assets:					
Cash and pooled investments	\$ 766	\$ 817	\$ 787	\$ 10	\$ 2,380
Investments	31,305	1,910	-	91	33,306
Other receivables (net of allowance)	2,595	263	-	-	2,858
Prepaid expenses	182	34	2	-	218
Total Current Assets	34,848	3,024	789	101	38,762
Noncurrent Assets:					
Investments, noncurrent	-	1,277	-	-	1,277
Other noncurrent assets	15,222	-	-	-	15,222
Capital Assets:					
Furnishings and equipment	1,041	-	-	-	1,041
Accumulated depreciation	(662)	-	-	-	(662)
Total Noncurrent Assets	15,601	1,277	-	-	16,878
Total Assets	\$ 50,449	\$ 4,301	\$ 789	\$ 101	\$ 55,640
Liabilities					
Current Liabilities:					
Accounts payable	\$ 995	\$ 30	\$ 157	\$ -	\$ 1,182
Accrued liabilities	-	52	-	11	63
Deferred revenues	62	86	43	-	191
Total Current Liabilities	1,057	168	200	11	1,436
Non-Current Liabilities:					
Other long-term liabilities	4,039	-	-	-	4,039
Total Non-Current Liabilities	4,039	-	-	-	4,039
Total Liabilities	5,096	168	200	11	5,475
Net Assets:					
Invested in capital assets, net of related debt	379	-	-	-	379
Unrestricted	44,974	4,133	589	90	49,786
Total Net (Deficit) Assets	\$ 45,353	\$ 4,133	\$ 589	\$ 90	\$ 50,165

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
Operating Revenues:					
Charges for services	\$ 8,268	\$ 1,083	\$ 153	\$ 100	\$ 9,604
Total Operating Revenues	8,268	1,083	153	100	9,604
Operating Expenses:					
Salaries and wages	2,924	302	-	83	3,309
Employee benefits	731	49	-	24	804
Personal services	335	73	20	-	428
Goods and services	2,416	204	136	48	2,804
Travel	-	12	-	4	16
Depreciation and amortization	134	-	-	-	134
Miscellaneous expenses	75	9	-	-	84
Total Operating Expenses	6,615	649	156	159	7,579
Operating Income (Loss)	1,653	434	(3)	(59)	2,025
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	2,384	174	18	5	2,581
Sales tax	-	-	-	-	-
Interest expense	(451)	-	-	-	(451)
Total Nonoperating Revenues (Expenses)	1,933	174	18	5	2,130
Net Income (Loss) before Contributions	3,586	608	15	(54)	4,155
Contributions of capital	37	-	-	-	37
Change in Net Assets	3,623	608	15	(54)	4,192
Net Assets - Beginning, as restated	41,730	3,525	574	144	45,973
Net Assets - Ending	\$ 45,353	\$ 4,133	\$ 589	\$ 90	\$ 50,165

Combining Statement of Cash Flows

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2002

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
Cash Flows from Operating Activities:					
Receipts from customers	\$ 7,565	\$ 1,150	\$ 133	\$ 100	\$ 8,948
Payments to suppliers	(3,663)	(290)	(41)	(50)	(4,044)
Payments to employees	(3,655)	(354)	-	(107)	(4,116)
Net Cash and Pooled Investments Provided (Used) in Operating Activities	247	506	92	(57)	788
Cash Flows from Noncapital Financing Activities:					
Other noncapital financing activity	(2,004)	-	-	-	(2,004)
Net Cash and Pooled Investments Provided (Used) in Noncapital Financing Activities	(2,004)	-	-	-	(2,004)
Cash Flows from Capital and Related Financing Activities:					
Interest paid	(451)	-	-	-	(451)
Capital contributions	37	-	-	-	37
Proceeds from long-term capital financing	-	-	-	-	-
Acquisitions of capital assets	(513)	-	-	-	(513)
Net Cash and Pooled Investments Provided (Used) in Capital and Related Financing Activities	(927)	-	-	-	(927)
Cash Flows from Investing Activities:					
Investment income	2,384	74	18	5	2,481
Proceeds from sale of investment securities	-	429	-	34	463
Purchases of investment securities	(1,987)	(1,023)	-	-	(3,010)
Net Cash Provided (Used) in Investing Activities	397	(520)	18	39	(66)
Net Increase (Decrease) in Cash and Pooled Investments	(2,287)	(14)	110	(18)	(2,209)
Cash and Pooled Investments, July 1	3,053	831	677	28	4,589
Cash and Pooled Investments, June 30	\$ 766	\$ 817	\$ 787	\$ 10	\$ 2,380
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (Loss)	\$ 1,653	\$ 434	\$ (3)	\$ (59)	\$ 2,025
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation	134	-	-	-	134
Change in Assets: Decrease (Increase)					
Receivables (net of allowance)	(671)	60	-	-	(611)
Prepaid expenses	(182)	(6)	(1)	-	(189)
Change in Liabilities: Increase (Decrease)					
Payables	(687)	18	96	2	(571)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 247	\$ 506	\$ 92	\$ (57)	\$ 788
Noncash investing, capital, and financing activities:					
Noncash activity included increase (decrease) in fair value of investments.		\$ (25)			\$ (25)

Schedules

Schedule of Revenues and Other Financing Sources (Uses) - Governmental Funds

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Taxes:					
Retail sales	\$ 5,464,182	\$ -	\$ -	\$ 35,415	\$ 5,499,597
Business and occupation	1,940,658	-	-	44,687	1,985,345
Use (compensating)	379,517	-	-	672	380,189
Motor vehicle and fuel	-	-	-	742,699	742,699
Liquor, beer, and wine	90,231	-	-	39,044	129,275
Cigarette and tobacco	76,718	-	-	254,012	330,730
Insurance premiums	182,506	-	-	108,744	291,250
Public utility	296,294	-	-	10,222	306,516
Property	1,293,130	-	-	133,112	1,426,242
Motor vehicle excise	(71)	-	-	31,261	31,190
Other excise	431,144	-	-	39,464	470,608
Gift and inheritance	114,173	-	-	-	114,173
Other taxes	125,520	-	-	132,943	258,463
Subtotal	10,394,002	-	-	1,572,275	11,966,277
Tax Credits:					
Business and occupation	(51,333)	-	-	-	(51,333)
Use (compensating)	(497)	-	-	-	(497)
Other tax credits	(5)	-	-	-	(5)
Total Taxes	10,342,167	-	-	1,572,275	11,914,442
Licenses, Permits, and Fees:					
Business and professions	55,003	-	-	64,185	119,188
Hunting and fishing	1,766	-	-	28,256	30,022
Motor vehicle	3,393	481	-	304,608	308,482
Motor vehicle operators	(35)	-	-	41,096	41,061
Other fees	15,351	-	-	98,208	113,559
Total Licenses, Permits, and Fees	75,478	481	-	536,353	612,312
Federal Grants-In-Aid:					
Department of Health and Human Services	3,787,957	396,189	-	1,542	4,185,688
Department of Labor	103,576	241	-	109,331	213,148
Department of Agriculture	578,939	22,495	-	48,114	649,548
Department of Transportation	1,399	2,302	-	547,175	550,876
Department of Education	418,169	54,310	-	68	472,547
Other federal grants-in-aid	240,906	183,588	-	77,994	502,488
Total Federal Grants-In-Aid	5,130,946	659,125	-	784,224	6,574,295
Charges For Services:					
Tuition and student fees	-	683,425	-	23,438	706,863
Other charges	35,060	164,681	-	363,308	563,049
Total Charges For Services	35,060	848,106	-	386,746	1,269,912
Miscellaneous Revenue:					
Interest income	19,628	32,941	5,211	131,405	189,185
Timber sales	3,646	-	9,071	92,308	105,025
Fines and forfeitures	1,668	3,904	-	81,983	87,555
Other contracts and grants	217,351	376,653	-	17,825	611,829
Other	80,041	65,153	40,737	509,086	695,017
Total Miscellaneous Revenue	322,334	478,651	55,019	832,607	1,688,611
Total Revenues	15,905,985	1,986,363	55,019	4,112,205	22,059,572
Other Financing Sources (Uses):					
Bonds issued	-	-	-	929,495	929,495
Refunding bonds issued	-	-	-	87,975	87,975
Payment to refunded bond escrow agent	-	-	-	(92,003)	(92,003)
Notes issued	7,039	2,298	-	605	9,942
Bond issue premium (discount)	-	-	-	12,268	12,268
Transfers in	675,759	148,964	208,318	1,725,310	2,758,351
Transfers (out)	(740,324)	(365,074)	(92,199)	(1,416,078)	(2,613,675)
Capital lease acquisitions	-	-	-	-	-
Total Other Financing Sources (Uses)	(57,526)	(213,812)	116,119	1,247,572	1,092,353
Total Revenues and Other Financing Sources (Uses)	\$ 15,848,459	\$ 1,772,551	\$ 171,138	\$ 5,359,777	\$ 23,151,925

Schedule of Expenditures - Governmental Funds

For the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
By Function:					
General government	\$ 567,768	\$ -	\$ -	\$ 1,484,540	\$ 2,052,308
Human services	8,326,284	-	-	1,096,104	9,422,388
Natural resources and recreation	271,641	-	-	415,965	687,606
Transportation	30,235	630	-	1,915,140	1,946,005
Education	6,796,559	1,860,709	-	754,179	9,411,447
Total Expenditures	\$ 15,992,487	\$ 1,861,339	\$ -	\$ 5,665,928	\$ 23,519,754
By Object:					
Salaries and wages	\$ 2,256,402	\$ 931,283	\$ -	\$ 843,090	\$ 4,030,775
Employee benefits	543,192	226,492	-	173,943	943,627
Personal services	80,761	22,586	-	42,927	146,274
Goods and services	835,018	481,132	-	572,732	1,888,882
Travel	37,027	44,242	-	29,338	110,607
Subtotal	3,752,400	1,705,735	-	1,662,030	7,120,165
Grants and Subsidies:					
K-12 basic education	5,368,332	-	-	217,997	5,586,329
Public assistance	5,997,442	-	-	463,497	6,460,939
Other miscellaneous	781,575	71,028	-	1,114,016	1,966,619
Total Grants and Subsidies	12,147,349	71,028	-	1,795,510	14,013,887
Intergovernmental	23,103	-	-	326,517	349,620
Capital Outlays:					
Equipment	22,000	47,943	-	25,465	95,408
All other	35,470	26,127	-	1,048,595	1,110,192
Total Capital Outlays	57,470	74,070	-	1,074,060	1,205,600
Debt Service:					
Principal	10,525	6,446	-	411,946	428,917
Interest	1,640	4,060	-	395,865	401,565
Total Debt Service	12,165	10,506	-	807,811	830,482
Total Expenditures	\$ 15,992,487	\$ 1,861,339	\$ -	\$ 5,665,928	\$ 23,519,754

Workers' Compensation Fund - Basic Plan

Claims Development Information

Fiscal Years 1993 through 2002 (expressed in millions)

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten fiscal years.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1. Net earned required contribution and investment revenues	\$ 1,359	\$ 1,355	\$ 1,385	\$ 1,274	\$ 1,257	\$ 2,013	\$ 927	\$ 1,057	\$ 1,449	\$ 1,197
2. Estimated incurred claims and expenses, end of policy year	1,665	1,805	1,637	1,620	1,681	1,700	1,732	1,902	1,925	2,124
3. Paid (cumulative) as of:										
End of policy year	182	183	183	192	191	196	205	218	230	226
One year later	367	380	389	396	409	420	438	473	494	
Two years later	465	490	494	502	522	545	564	608		
Three years later	528	557	561	568	596	627	643			
Four years later	572	605	607	617	651	684				
Five years later	605	642	644	658	693					
Six years later	634	674	676	692						
Seven years later	660	702	703							
Eight years later	683	727								
Nine years later	704									
4. Reestimated incurred claims and expenses:										
End of policy year	1,665	1,805	1,637	1,620	1,681	1,700	1,732	1,902	1,925	2,124
One year later	1,557	1,561	1,533	1,565	1,602	1,627	1,690	1,838	1,963	
Two years later	1,424	1,484	1,493	1,507	1,553	1,651	1,694	1,913		
Three years later	1,374	1,465	1,459	1,455	1,575	1,643	1,770			
Four years later	1,385	1,413	1,425	1,500	1,576	1,678				
Five years later	1,332	1,382	1,438	1,466	1,601					
Six years later	1,295	1,425	1,413	1,471						
Seven years later	1,343	1,403	1,392							
Eight years later	1,304	1,363								
Nine years later	1,280									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(385)	(442)	(245)	(149)	(80)	(22)	38	11	38	

Workers' Compensation Fund - Supplemental Pension Plan Claims Development Information

Fiscal Years 1993 through 2002 (expressed in millions)

The table below illustrates how the fund's supplemental pension cost-of-living adjustments earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) as of the end of the last ten fiscal years. The unallocated and other expenses of this plan are paid by the Workers' Compensation Basic Plan. This claims development information is reported separate from the basic plan for the following reasons:

- (1) This plan covers self-insured, while the basic does not.
- (2) This plan is not experienced rated while the basic plan is.
- (3) Statutes restrict the funding of this plan to expected payments of the current year.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1. Net earned required contribution and investment revenues	\$ 136	\$ 159	\$ 168	\$ 173	\$ 154	\$ 170	\$ 193	\$ 225	\$ 267	\$ 281
2. Estimated incurred claims and expenses, end of policy year	848	922	757	751	795	790	548	635	628	807
3. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	-
One year later	4	2	1	3	4	6	7	8	5	
Two years later	7	4	4	8	11	14	12	12		
Three years later	9	6	6	9	13	17	18			
Four years later	12	8	9	14	20	24				
Five years later	15	12	14	20	27					
Six years later	19	16	19	26						
Seven years later	23	21	25							
Eight years later	29	28								
Nine years later	36									
4. Reestimated incurred claims and expenses:										
End of policy year	848	922	757	751	795	790	548	635	628	807
One year later	929	725	732	793	812	527	666	730	786	
Two years later	737	714	760	792	610	727	754	844		
Three years later	738	746	760	633	753	798	860			
Four years later	779	744	621	754	817	860				
Five years later	774	610	704	773	864					
Six years later	638	696	715	790						
Seven years later	711	706	692							
Eight years later	721	667								
Nine years later	676									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(172)	(255)	(65)	39	69	70	312	209	158	

Workers' Compensation Fund

Reconciliation of Claims Liabilities by Plan

Fiscal Years 2002 and 2001 (expressed in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the fund's two benefit plans: Workers' Compensation Basic Plan and Workers' Compensation Supplemental Pension Plan.

	Basic Plan		Supplemental Pension Plan	
	FY 2002	FY 2001	FY 2002	FY 2001
Unpaid claims and claim adjustment expenses at beginning of year	\$ 7,263,113	\$ 7,054,702	\$ 6,980,000	\$ 6,567,000
Incurring claims and claim adjustment expenses:				
Provision for insured events of the current year	1,142,693	1,093,456	254,736	208,599
Increase (decrease) in provision for insured events of prior years	405,682	211,475	242,355	476,819
Total incurred claims and claim adjustment expenses	1,548,375	1,304,931	497,091	685,418
Payments:				
Claims and claim adjustment expenses attributable:				
To events of the current year	225,567	229,934	-	-
To insured events of prior years	889,500	866,586	290,413	272,418
Total payments	1,115,067	1,096,520	290,413	272,418
Total unpaid claims and claim adjustment expenses at fiscal year end	\$ 7,696,421	\$ 7,263,113	\$ 7,186,678	\$ 6,980,000

STATISTICAL SECTION

Table 1 - Revenues, Expenditures, and Other Financing Sources (Uses)

All Governmental Fund Types

Fiscal Years 1993 through 2002 (dollars in millions)

	2002*	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenues:										
Taxes:										
Retail sales	\$ 5,499.6	\$ 5,525.0	\$ 5,432.5	\$ 4,989.0	\$ 4,652.4	\$ 4,436.5	\$ 4,177.6	\$ 4,117.9	\$ 4,004.9	\$ 3,681.0
Business and occupation	1,934.0	2,018.3	1,829.5	1,850.4	1,862.9	1,787.7	1,703.2	1,562.9	1,407.7	1,288.5
Use (compensating)	379.7	409.6	380.0	333.3	330.3	333.0	295.3	283.3	303.4	262.7
Motor vehicle and fuel	742.7	736.1	964.0	717.8	708.2	685.2	676.7	661.9	632.3	650.5
Liquor, beer, and wine	129.3	125.3	119.2	91.0	129.7	117.0	113.2	105.7	108.8	98.9
Cigarette and tobacco	330.7	264.9	277.3	278.5	276.7	277.6	278.3	218.6	215.3	143.6
Insurance premiums	291.3	279.7	261.2	239.0	228.8	212.2	202.7	205.6	146.3	120.2
Public utility	306.5	302.6	282.1	249.0	242.3	234.4	232.4	207.7	196.3	168.9
Property	1,426.2	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3	1,031.9	956.1	883.7
Excise	501.8	509.4	631.5	1,134.7	1,060.8	921.5	836.4	781.6	784.4	620.7
Gift and inheritance	114.2	106.3	82.6	69.7	82.2	88.5	61.4	42.0	35.2	35.6
Other (less credits)	258.4	263.8	215.3	193.5	193.1	148.5	139.2	226.9	208.4	285.2
Total Taxes	11,914.4	11,907.7	11,808.1	11,422.7	10,998.3	10,412.7	9,823.7	9,446.0	8,999.1	8,239.5
Licenses, permits, and fees	612.3	614.2	596.2	556.0	510.7	492.0	476.1	467.5	450.2	436.2
Federal grants-in-aid	6,574.3	5,757.5	5,303.9	4,763.0	4,623.5	4,576.9	4,382.0	4,033.2	3,741.6	3,492.2
Charges and miscellaneous revenue	2,769.4	2,146.0	2,015.4	1,724.6	1,683.1	1,646.5	1,489.9	1,411.6	1,262.2	1,112.1
Interest income	189.2	228.1	202.3	203.3	192.7	175.2	167.3	153.5	150.9	163.1
Total Revenues	22,059.6	20,653.6	19,925.9	18,669.7	18,008.3	17,303.3	16,339.0	15,511.8	14,604.0	13,443.1
Expenditures:										
Current:										
General government	870.1	881.4	706.7	720.4	739.2	1,122.2	987.2	977.5	902.4	919.6
Human services	9,339.1	8,379.4	7,708.6	7,045.0	6,827.7	6,526.4	6,145.5	5,570.6	5,042.3	4,834.0
Natural resources and recreation	640.0	637.2	552.3	553.0	529.4	522.8	498.1	541.6	508.2	521.4
Transportation	1,283.1	1,093.7	872.8	873.2	787.0	931.4	859.3	910.4	753.7	746.4
Education	9,001.8	8,469.8	7,962.1	7,609.7	7,246.3	7,071.9	6,707.2	6,439.6	6,160.8	6,057.7
Intergovernmental	349.6	321.1	645.9	441.8	424.4	N/A	N/A	N/A	N/A	N/A
Capital outlays	1,205.6	1,192.5	1,188.8	1,179.2	991.3	1,112.2	969.3	1,276.4	1,038.0	1,060.3
Debt service	830.5	794.7	745.8	701.2	674.2	618.7	604.5	568.8	530.5	500.4
Total Expenditures	23,519.8	21,769.8	20,383.0	19,123.5	18,219.5	17,905.6	16,771.1	16,284.9	14,935.9	14,639.8
Revenues Over (Under) Expenditures	(1,460.2)	(1,116.2)	(457.1)	(453.8)	(211.2)	(602.3)	(432.1)	(773.1)	(331.9)	(1,196.7)
Other Financing Sources (Uses):										
Bonds issued net of refunding	937.8	820.5	581.1	519.8	739.8	638.9	454.0	603.5	649.4	600.4
Notes issued	9.9	23.3	25.9	12.9	15.6	7.8	4.9	4.9	7.5	7.3
Net transfers in (out)	144.7	379.7	197.5	154.6	141.8	133.4	157.9	167.3	132.5	167.8
Capital lease acquisitions	-	10.3	-	-	1.5	0.2	-	19.0	8.1	8.0
Net Other Financing Sources (Uses)	1,092.4	1,233.7	804.4	687.3	898.7	780.3	616.8	794.7	797.5	783.5
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (367.8)	\$ 117.5	\$ 347.3	\$ 233.5	\$ 687.5	\$ 178.0	\$ 184.7	\$ 21.6	\$ 465.6	\$ (413.2)

*Due to the implementation of Statement No. 34 of the Governmental Accounting Standards Board, certain funds were reclassified between Governmental and Proprietary fund types commencing in Fiscal Year 2002.

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Table 2 - Revenues, Expenditures, and Other Financing Sources (Uses)

General Fund

Fiscal Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenues:										
Taxes:										
Retail sales	\$ 5,464.2	\$ 5,502.4	\$ 5,419.5	\$ 4,988.4	\$ 4,651.1	\$ 4,435.4	\$ 4,169.1	\$ 4,110.3	\$ 3,995.6	\$ 3,677.6
Business and occupation	1,889.3	2,031.2	1,838.3	1,846.5	1,867.7	1,750.0	1,670.4	1,546.1	1,391.1	1,288.5
Use (compensating)	379.0	410.3	380.8	334.0	331.4	333.0	295.3	283.3	303.4	262.7
Liquor, beer, and wine	90.2	87.7	83.7	79.8	77.2	74.6	72.5	73.2	74.5	77.4
Cigarette and tobacco	76.7	97.6	102.0	86.6	84.5	86.3	80.3	92.3	91.9	97.7
Insurance premiums	182.5	177.8	173.4	158.3	153.9	141.3	172.3	203.3	143.9	118.2
Public utility	296.3	302.6	282.1	249.0	242.3	234.4	232.4	207.7	196.2	168.9
Property	1,293.1	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3	1,031.9	956.1	883.7
Excise	431.1	476.5	552.7	815.8	815.4	695.3	627.0	610.8	621.1	511.6
Gift and inheritance	114.2	106.3	82.6	69.7	82.2	88.5	61.4	42.0	35.2	35.6
Other (less credits)	125.6	116.3	91.9	114.0	87.9	82.9	73.9	156.2	141.3	206.6
Total Taxes	10,342.2	10,675.4	10,339.7	10,019.0	9,624.5	9,092.3	8,561.9	8,357.1	7,950.3	7,328.5
Licenses, permits, and fees	75.5	123.9	131.2	122.4	101.5	95.1	88.3	91.0	89.4	85.7
Federal grants-in-aid	5,130.9	4,633.6	4,304.6	3,864.0	3,794.5	3,595.8	3,438.4	3,014.1	2,734.7	2,593.3
Charges and miscellaneous revenue	337.8	500.7	487.2	451.5	473.1	443.6	382.3	417.0	424.0	327.2
Interest income	19.6	111.4	106.6	99.1	90.1	82.9	76.3	80.2	90.2	79.2
Total Revenues	15,906.0	16,045.0	15,369.3	14,556.0	14,083.7	13,309.7	12,547.2	11,959.4	11,288.6	10,413.9
Expenditures:										
Current:										
General government	526.6	673.7	551.0	569.3	610.6	736.8	639.9	620.1	567.4	579.3
Human services	8,303.8	7,653.1	7,055.2	6,502.7	6,338.9	5,999.8	5,786.1	5,309.0	4,831.7	4,655.4
Natural resources and recreation	262.9	368.4	296.6	299.3	274.4	279.3	250.8	268.7	231.7	246.6
Transportation	28.6	48.3	45.5	41.3	26.5	24.5	24.1	30.7	36.1	33.3
Education	6,777.8	6,608.2	6,241.0	5,982.8	5,755.4	5,557.1	5,338.0	5,167.0	4,991.0	4,881.1
Intergovernmental	23.1	57.1	172.4	185.7	179.6	N/A	N/A	N/A	N/A	N/A
Capital outlays	57.5	95.4	71.5	85.1	72.2	72.0	77.7	185.3	105.2	95.1
Debt service	12.2	18.5	19.7	18.5	25.9	13.2	19.4	18.7	17.1	4.5
Total Expenditures	15,992.5	15,522.7	14,452.9	13,684.7	13,283.5	12,682.7	12,136.0	11,599.5	10,780.2	10,495.3
Revenues Over (Under) Expenditures	(86.5)	522.3	916.4	871.3	800.2	627.0	411.2	359.9	508.4	(81.4)
Other Financing Sources (Uses):										
Notes issued	7.0	5.7	4.0	3.5	2.0	3.3	1.1	2.8	4.9	5.7
Net transfers in (out)	(64.5)	(612.0)	(658.6)	(588.8)	(436.1)	(519.1)	(307.2)	(337.3)	(222.1)	(168.3)
Capital lease acquisitions	-	-	-	-	675.8	-	-	17.5	5.7	7.0
Net Other Financing Sources (Uses)	(57.5)	(606.2)	(654.5)	(585.3)	241.7	(515.8)	(306.1)	(317.0)	(211.5)	(155.6)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (144.0)	\$ (83.9)	\$ 261.9	\$ 286.0	\$ 1,041.9	\$ 111.2	\$ 105.1	\$ 42.9	\$ 296.9	\$ (237.0)

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Table 3A - Property Tax Levies and Collections

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Total Property Tax Levies	\$ 5,711	\$ 5,412	\$ 5,083	\$ 4,723	\$ 4,571	\$ 4,293	\$ 4,010	\$ 3,719	\$ 3,477	\$ 3,100
Current tax collections	\$ 5,521	\$ 5,204	\$ 4,891	\$ 4,546	\$ 4,407	\$ 4,129	\$ 3,856	\$ 3,578	\$ 3,334	\$ 2,975
Delinquent tax collections	158	149	136	131	118	118	105	112	108	103
Total Tax Collections	\$ 5,679	\$ 5,353	\$ 5,027	\$ 4,677	\$ 4,525	\$ 4,247	\$ 3,961	\$ 3,690	\$ 3,442	\$ 3,078
Outstanding delinquent taxes	\$ 95	\$ 89	\$ 86	\$ 79	\$ 77	\$ 75	\$ 70	\$ 71	\$ 74	\$ 78
Percent of current taxes collected	96.7%	96.2%	96.2%	96.3%	96.4%	96.2%	96.2%	96.2%	95.9%	96.0%
Ratio of total tax collections to tax levy	99.4%	98.9%	98.9%	99.0%	99.0%	98.9%	98.8%	99.2%	99.0%	99.3%
Ratio of delinquent taxes to total tax levy	1.7%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.9%	2.1%	2.5%

Source: Tax Statistics, Washington State Department of Revenue.

Table 3B - Assessed and Estimated Actual Value of Property

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Real Property										
Assessed value	\$ 444,313	\$ 410,088	\$ 375,084	\$ 350,203	\$ 324,134	\$ 303,221	\$ 288,297	\$ 273,688	\$ 255,822	\$ 240,623
Estimated actual value	496,391	459,908	422,543	390,079	359,568	336,838	329,199	305,605	287,739	273,261
Personal Property										
Assessed value	34,374	31,103	29,573	28,384	27,774	27,222	25,285	24,074	22,477	21,948
Estimated actual value	35,905	32,773	30,419	29,346	29,879	28,389	26,271	24,884	23,881	23,174
Total										
Assessed value	\$ 478,687	\$ 441,191	\$ 404,657	\$ 378,587	\$ 351,908	\$ 330,443	\$ 313,582	\$ 297,762	\$ 278,299	\$ 262,571
Estimated actual value	532,296	492,681	452,962	419,425	389,447	365,227	355,470	330,489	311,620	296,435
Ratio of total assessed value to total estimated actual value	89.9%	89.5%	89.3%	90.3%	90.4%	90.5%	88.2%	90.1%	89.3%	88.6%

Source: Tax Statistics, Washington State Department of Revenue.

Table 3C - Property Tax Levies Overlapping Governments

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
State	\$ 1,397	\$ 1,326	\$ 1,278	\$ 1,238	\$ 1,189	\$ 1,099	\$ 1,066	\$ 981	\$ 908	\$ 835
Local school districts	1,802	1,727	1,604	1,458	1,415	1,333	1,187	1,115	1,041	916
Counties	1,020	972	924	872	849	820	789	731	685	585
Cities and towns	798	734	666	632	589	549	503	470	444	413
Other districts	694	653	611	523	529	492	465	422	399	351
Total Property Tax Levies	\$ 5,711	\$ 5,412	\$ 5,083	\$ 4,723	\$ 4,571	\$ 4,293	\$ 4,010	\$ 3,719	\$ 3,477	\$ 3,100

Source: Tax Statistics, Washington State Department of Revenue.

Table 4A - Property Value and Construction

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Property Value:										
Assessed value	\$ 478,687	\$ 441,192	\$ 404,657	\$ 378,587	\$ 378,587	\$ 330,443	\$ 313,582	\$ 297,762	\$ 278,299	\$ 262,571
Exemptions:										
Senior citizen	\$ 4,066	\$ 4,187	\$ 4,609	\$ 4,796	\$ 2,883	\$ 2,999	\$ 3,037	\$ 2,980	\$ 2,895	\$ 2,798
Head of household	53	47	43	47	44	54	50	49	56	55
Total Exemptions	\$ 4,119	\$ 4,234	\$ 4,652	\$ 4,843	\$ 2,927	\$ 3,053	\$ 3,087	\$ 3,029	\$ 2,951	\$ 2,853
New Construction:										
Value	\$ 10,896	\$ 10,527	\$ 9,542	\$ 9,195	\$ 8,497	\$ 6,818	\$ 7,794	\$ 7,269	\$ 7,291	\$ 6,867

Source: Tax Statistics, Washington State Department of Revenue.

Table 4B - Residential Building Activity

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Permits	38,345	39,021	42,752	45,727	41,089	39,597	38,445	44,854	40,236	39,682
Valuations	\$ 4,689	\$ 4,426	\$ 4,578	\$ 4,745	\$ 4,225	\$ 3,773	\$ 3,578	\$ 4,227	\$ 3,673	\$ 3,460

Source: U.S. Department of Commerce, Bureau of the Census.

Table 4C - Accrued State Retail Sales Tax*

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Sales Subject to Retail Sales Tax:										
Gross	\$127,819	\$128,778	\$118,527	\$110,400	\$102,800	\$ 95,648	\$ 90,107	\$ 86,436	\$ 81,249	\$ 79,220
Taxable	84,899	85,339	80,228	74,577	69,975	64,301	62,315	60,586	56,962	54,634
Accrued State Retail Sales Tax*	5,518	5,547	5,215	4,847	4,548	4,179	4,054	3,939	3,703	3,551

*State tax only, excludes accrued local sales tax revenues.

Source: Quarterly Business Review, Washington State Department of Revenue.

Table 5A - Ratio of Net General and Limited Obligation Bonded Debt to Assessed Value & Net General and Limited Obligation Bonded Debt Per Capita

Fiscal Years 1992 through 2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Population (in thousands) (1)	5,975	5,894	5,831	5,750	5,664	5,568	5,470	5,364	5,266	5,117
Assessed Value (in millions) (2)	\$ 478,687	\$ 441,191	\$ 404,657	\$ 378,587	\$ 351,908	\$ 330,443	\$ 313,582	\$ 297,762	\$ 278,299	\$ 262,571
Net Bonded Debt (in millions) (3):										
Gross Bonded Debt	\$ 7,679	\$ 7,278	\$ 6,884	\$ 6,608	\$ 6,192	\$ 5,831	\$ 5,650	\$ 5,310	\$ 4,611	\$ 4,177
Less:										
Debt Service Funds	83	211	88	88	80	82	80	97	101	128
Net Bonded Debt	\$ 7,596	\$ 7,067	\$ 6,796	\$ 6,520	\$ 6,112	\$ 5,749	\$ 5,570	\$ 5,213	\$ 4,510	\$ 4,049
Ratio of Net Bonded Debt to Assessed Value	1.59%	1.60%	1.68%	1.72%	1.74%	1.74%	1.78%	1.75%	1.62%	1.54%
Net Bonded Debt Per Capita	\$ 1,271	\$ 1,199	\$ 1,165	\$ 1,134	\$ 1,079	\$ 1,033	\$ 1,018	\$ 972	\$ 856	\$ 791

Sources: (1) Washington State Economic and Revenue Forecast Council.
(2) Tax Statistics, Washington State Department of Revenue.
(3) Washington Office of the State Treasurer.

Table 5B - Selected Financial Ratios

Calendar Years 1992 through 2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
State bonded debt per capita	\$ 1,287	\$ 1,248	\$ 1,184	\$ 1,130	\$ 1,138	\$ 1,075	\$ 1,043	\$ 1,028	\$ 962	\$ 917
State bonded debt as a percentage of personal income	4.01%	3.99%	3.92%	4.07%	4.29%	4.29%	4.42%	4.53%	4.38%	4.25%
Total debt service as a percentage of personal income	0.44%	0.40%	0.39%	0.43%	0.43%	0.46%	0.47%	0.45%	0.46%	0.42%
State bonded debt as a percentage of market value of taxable property	1.44%	1.49%	1.52%	1.55%	1.66%	1.64%	1.61%	1.67%	1.63%	1.58%
Factors:										
Population (thousands) (1)	5,975	5,894	5,831	5,750	5,664	5,568	5,470	5,364	5,266	5,117
Personal income (in millions) (1)	\$ 191,800	\$ 184,300	\$ 176,200	\$ 159,674	\$ 150,368	\$ 139,516	\$ 129,117	\$ 121,606	\$ 115,788	\$ 110,461
Total debt service (in millions) (2)	\$ 852	\$ 743	\$ 690	\$ 693	\$ 643	\$ 635	\$ 607	\$ 546	\$ 529	\$ 465
Market value of taxable property (in millions) (3)	\$ 532,296	\$ 492,681	\$ 452,962	\$ 419,425	\$ 389,447	\$ 365,227	\$ 355,470	\$ 330,489	\$ 311,620	\$ 296,436
State bond debt (in millions) (2)	\$ 7,687	\$ 7,355	\$ 6,903	\$ 6,497	\$ 6,446	\$ 5,988	\$ 5,706	\$ 5,512	\$ 5,067	\$ 4,692

Sources: (1) Washington State Economic and Revenue Forecast Council.
(2) Washington Office of the State Treasurer.
(3) Tax Statistics, Washington State Department of Revenue.

Table 6A - Ratio of Annual Debt Service to Expenditures

All Governmental Fund Types

Fiscal Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Principal	\$ 428.9	\$ 399.9	\$ 388.2	\$ 351.1	\$ 336.0	\$ 300.0	\$ 304.6	\$ 274.3	\$ 273.7	\$ 236.9
Interest	401.6	394.9	359.1	350.1	338.2	318.7	299.9	294.6	256.9	263.6
Total Debt Service	\$ 830.5	\$ 794.8	\$ 747.3	\$ 701.2	\$ 674.2	\$ 618.7	\$ 604.5	\$ 568.9	\$ 530.6	\$ 500.5
Total Governmental Funds' Expenditures	\$ 23,519.8	\$ 21,769.8	\$ 20,383.0	\$ 19,123.5	\$ 18,219.5	\$ 17,905.6	\$ 16,771.1	\$ 16,284.9	\$ 14,935.9	\$ 14,639.8
Ratio of Debt Service to Governmental Funds' Expenditures	3.5	3.7	3.7	3.7	3.7	3.5	3.6	3.5	3.6	3.4

Source: Washington State Office of Financial Management - Accounting Division.

Table 6B - Revenue Bond Coverage

Fiscal Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Gross Revenues (1)	\$ 912	\$ 838	\$ 775	\$ 758	\$ 712	\$ 636	\$ 676	\$ 631	\$ 520	\$ 503
Operating Expenses (2)	854	806	716	674	603	548	591	528	456	501
Net Revenue Available for Debt Service	\$ 58	\$ 32	\$ 59	\$ 84	\$ 109	\$ 88	\$ 85	\$ 103	\$ 64	\$ 2
Debt Service Requirements:										
Principal	\$ 8	\$ 6	\$ 5	\$ 6	\$ 6	\$ 6	\$ 6	\$ 5	\$ 6	\$ 6
Interest	12	12	10	8	8	8	9	10	8	7
Total Debt Service Requirements	\$ 20	\$ 18	\$ 15	\$ 14	\$ 14	\$ 14	\$ 15	\$ 15	\$ 14	\$ 13
Coverage Ratio	2.90	1.78	3.93	6.00	7.79	6.29	5.67	6.87	4.57	0.15

(1) Total revenues (including earnings on investments).

(2) Total operating expenses exclusive of depreciation.

Source: Washington State Office of Financial Management - Accounting Division.

Table 7A - Total Resident Population and Components of Change

Calendar Years 1993 through 2002 (figures in thousands)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Population	6,041.7	5,974.9	5,894.1	5,830.8	5,750.0	5,663.8	5,567.8	5,470.1	5,364.3	5,265.7
Population change:										
Number	66.8	80.8	63.3	80.8	86.3	96.0	97.7	105.8	98.6	124.5
Percent	1.1	1.4	1.1	1.4	1.5	1.7	1.8	2.0	1.9	2.4
Births number	81.3	81.4	79.9	79.8	78.8	78.0	77.0	77.5	78.2	79.1
Deaths number	45.6	44.0	43.7	43.1	41.6	42.6	41.2	40.0	39.5	39.4
Net migration number	31.1	43.4	27.2	44.2	49.0	60.6	61.8	68.3	60.0	84.8

Notes: Births, deaths, and migration year figures are April through March.

Population figures are as of April 1 of each year.

Birth and death figures are estimated for the years 2001 and 2002.

Source: Washington State Office of Financial Management - October 2002 forecast.

Table 7B - Employment Comparison

Washington vs. United States

Calendar Years 1992 through 2001 (figures in thousands)

Total Civilian	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Labor Force:										
Washington State	2,996	3,045	3,075	3,038	2,983	2,874	2,804	2,707	2,701	2,650
Percent change	(1.6)	(1.0)	1.2	1.8	3.8	2.5	3.6	0.2	1.9	4.5
United States	145,500	144,500	142,600	140,800	139,000	136,500	134,500	132,800	130,500	129,100
Percent change	0.7	1.3	1.3	1.3	1.8	1.5	1.3	1.8	1.1	1.7
Employment:										
Washington State	2,804	2,888	2,929	2,893	2,841	2,687	2,626	2,533	2,495	2,449
Percent change	(2.9)	(1.4)	1.2	1.8	5.7	2.3	3.7	1.5	1.9	3.2
United States	138,500	138,700	136,600	134,500	132,100	129,200	127,000	124,700	121,500	119,400
Percent change	(0.1)	1.5	1.6	1.8	2.3	1.7	1.9	2.6	1.7	1.0

Source: Washington State Economic and Revenue Forecast Council - November 2002 forecast.

Table 8A - Washington's Twenty-Five Largest Public Companies
(Ranked by 2000 Revenues)

Ranking	Company	Description of company	Revenues (in millions)
1	The Boeing Co.	Aerospace and defense	\$ 51,132.0
2	Costco Wholesale	Membership warehouses	32,164.0
3	Microsoft Corp.	Software development	23,000.0
4	Weyerhaeuser Co.	Natural resource and forest products	15,980.0
5	Washington Mutual Inc.	National financial services	15,760.0
6	Paccar Inc.	Heavy-duty truck manufacturing and financial services	7,919.0
7	Avista Corp.	Utility	7,911.5
8	Safeco Corp.	Financial services	7,118.0
9	Nordstrom Inc.	Department stores	5,528.5
10	Puget Sound Energy Inc.	Utility	3,441.7
11	Airborne Freight Corp.	Air freight forwarding and air express services	3,276.0
12	Amazon.com Inc.	Online retailer	2,762.0
13	Alaska Air Group Inc.	Holding company for Alaska and Horizon airlines	2,177.2
14	Starbucks Coffee Co.	Coffee roaster and retailer	2,169.2
15	VoiceStream Wireless Corp.	National wireless communications network	1,922.7
16	Potlatch Corp.	Paper and paper products	1,808.8
17	Expeditors International of Washington Inc.	International freight forwarding and customs brokerage services	1,700.0
18	AT&T Wireless Group	Digital wireless networking	1,044.8
19	Labor Ready Inc.	Temporary employment services	976.6
20	Longview Fiber Co.	Natural resource and forest products	876.3
21	Immunex Corp.	Biopharmaceuticals	861.8
22	Western Wireless Corp.	Wireless telecommunications company	835.0
23	Zones Inc.	Computer and software mailorder seller	634.1
24	Washington Federal Inc.	Holding company for Washington Federal Savings	509.3
25	Esterline Technologies Corp.	Diversified manufacturing	491.0

Source: Puget Sound Business Journal 2002 Book of Lists

Table 8B - Fortune 500 Companies Headquartered in Washington

Ranking 2001	Ranking 2000	Company	Revenues (in millions)	Profits (in millions)	Employees Worldwide	Headquarters/ Location
44	45	Costco Wholesale	\$ 34,797	\$ 602	64,500	Issaquah
72	79	Microsoft Corp.	25,296	7,346	47,600	Redmond
116	124	Washington Mutual Inc.	17,692	3,114	39,465	Seattle
140	122	Weyerhaeuser Co.	14,545	354	44,800	Federal Way
267	262	Safeco Corp.	6,953	(989)	12,000	Seattle
295	238	Paccar Inc.	6,089	174	16,000	Bellevue
299	239	Avista Corp.	6,021	12	2,175	Spokane
314	323	Nordstrom Inc.	5,634	125	42,906	Seattle
464	473	Puget Sound Energy Inc.	3,374	107	3,972	Bellevue
479	489	Airborne Freight Corp.	3,211	(19)	18,900	Seattle
492	N/A	Amazon.com Inc.	3,122	(567)	7,800	Seattle

Source: Fortune, April 15, 2002

Table 9A - Labor Force and Employment by Sector

Calendar Years 1992 through 2001 (figures in thousands)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Resident Civilian Labor Force and Employment in Washington State (1)										
Civilian labor force	2,995.7	3,045.3	3,074.6	3,037.9	2,983.3	2,873.9	2,804.4	2,706.5	2,701.0	2,649.8
Unemployment	191.6	157.8	145.4	144.6	142.1	186.8	178.6	173.7	205.9	201.1
Total Employment	2,804.1	2,887.5	2,929.2	2,893.3	2,841.2	2,687.1	2,625.9	2,532.8	2,495.0	2,448.7
Unemployment percentage rate	6.4%	5.2%	4.7%	4.8%	4.8%	6.5%	6.4%	6.4%	7.6%	7.6%
Nonagricultural Wage and Salary Workers Employed in Washington State										
Manufacturing:										
Food processing	39.8	41.5	41.1	40.7	41.3	42.4	42.0	40.5	39.0	38.0
Lumber and wood	31.1	33.3	33.9	34.2	35.6	35.2	35.4	36.3	35.9	36.5
Paper and pulp	14.9	15.9	15.9	16.2	16.3	16.8	17.3	17.2	17.2	17.7
Chemicals	6.0	6.1	6.2	6.0	5.7	5.6	5.5	5.6	5.4	5.2
Metals and machinery	66.9	72.0	69.9	71.4	69.5	64.5	60.2	56.5	54.1	53.0
Aerospace	86.8	86.1	98.9	112.4	105.0	86.3	80.2	91.8	102.7	111.9
Other transportation equipment	13.3	15.3	15.9	15.6	14.5	14.1	14.8	13.3	12.0	11.5
Other manufacturing	79.5	83.0	82.4	83.1	82.2	79.9	76.9	75.6	74.4	73.4
Total Manufacturing	338.3	353.1	364.1	379.6	370.0	344.8	332.3	336.9	340.8	347.2
Nonmanufacturing:										
Construction	155.4	160.2	153.8	143.7	136.3	127.8	122.0	123.0	119.1	119.2
Transportation, communications, and utilities	146.4	146.6	139.7	135.6	132.8	124.9	119.6	116.5	114.2	113.6
Trade	633.7	645.2	636.1	622.7	606.9	590.9	580.0	565.0	546.5	537.8
Finance, insurance, and real estate	140.7	137.5	137.6	134.6	127.7	123.9	121.6	124.1	121.2	119.3
Services and miscellaneous (2)	776.5	785.5	742.9	712.6	682.3	652.5	626.7	601.4	579.9	561.2
State and local government	437.4	413.6	406.9	398.8	390.2	382.1	374.4	365.7	357.7	350.2
Federal civilian government	67.9	69.9	67.6	67.2	67.9	68.6	70.1	71.5	72.3	73.4
Total Nonmanufacturing	2,358.0	2,358.3	2,284.6	2,215.1	2,144.2	2,070.8	2,014.5	1,967.2	1,910.9	1,874.7
Total Wage and Salary Workers	2,696.4	2,711.5	2,648.7	2,594.7	2,514.2	2,415.6	2,346.8	2,304.1	2,251.7	2,221.9

Notes: Figures may not total due to rounding.

(1) Average of monthly data.

(2) Includes mining and quarrying.

Source: Washington State Economic and Revenue Forecast Council - November 2002 forecast.

Table 9B - Average Annual Wage Rates

Calendar Years 1992 through 2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Construction	\$ 41,997	\$ 41,092	\$ 39,211	\$ 37,022	\$ 35,926	\$ 33,744	\$ 32,645	\$ 31,356	\$ 30,475	\$ 30,524
Finance, insurance, and real estate	49,545	47,050	44,245	43,255	40,019	36,804	34,614	33,238	33,866	32,299
Federal government	46,563	44,427	42,737	42,256	41,132	39,754	37,553	36,007	34,823	33,170
State and local government	34,181	32,906	31,472	30,434	29,430	28,784	28,028	27,298	26,934	26,047
Mining	47,982	47,403	46,868	44,468	45,154	41,814	42,009	40,210	38,575	39,215
Transportation, communications, and utilities	48,554	48,590	43,921	41,391	39,530	36,953	36,171	34,580	33,695	32,826
Services	43,286	43,670	44,445	38,572	33,589	30,637	28,330	26,720	25,650	25,237
Retail trade	22,644	22,572	20,897	19,337	18,144	17,375	16,899	16,474	15,897	15,645
Wholesale trade	47,332	46,580	42,347	40,892	38,457	36,671	34,967	33,400	32,353	32,166
Manufacturing	48,477	47,468	45,098	42,728	41,382	39,644	38,087	36,585	35,425	35,556

Source: Washington State Economic and Revenue Forecast Council - November 2002 forecast.

Table 10A - Personal Income Comparison

Washington vs. United States

Calendar Years 1992 through 2001 (dollars in billions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
In Current Dollars:										
Washington										
Amount	\$ 191.8	\$ 186.9	\$ 174.3	\$ 163.2	\$ 150.2	\$ 139.3	\$ 129.7	\$ 123.3	\$ 117.6	\$ 112.6
Percent change	2.6	7.2	6.8	8.6	7.8	7.4	5.1	4.9	4.4	7.5
United States										
Amount	\$ 8,685.3	\$ 8,406.6	\$ 7,786.5	\$ 7,426.0	\$ 6,937.0	\$ 6,547.4	\$ 6,200.9	\$ 5,888.1	\$ 5,610.0	\$ 5,390.4
Percent change	3.3	8.0	4.9	7.0	6.0	5.6	5.3	5.0	4.1	6.0
In 1996 Constant Dollars:										
Washington										
Amount	\$ 175.0	\$ 174.0	\$ 166.4	\$ 158.4	\$ 147.3	\$ 139.3	\$ 132.5	\$ 128.9	\$ 125.4	\$ 122.9
Percent change	0.6	4.5	5.1	7.5	5.8	5.2	2.8	2.8	2.0	4.3
United States										
Amount	\$ 7,927.3	\$ 7,827.9	\$ 7,435.2	\$ 7,207.7	\$ 6,804.9	\$ 6,547.3	\$ 6,334.1	\$ 6,152.1	\$ 5,980.4	\$ 5,883.1
Percent change	1.3	5.3	3.2	5.9	3.9	3.4	3.0	2.9	1.7	2.9

Source: Washington State Economic and Revenue Forecast Council - November 2002 forecast.

Table 10B - Personal Income by Component

Calendar Years 1992 through 2001 (dollars in billions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Total personal income	\$ 191.8	\$ 186.9	\$ 174.3	\$ 163.2	\$ 150.2	\$ 139.3	\$ 129.7	\$ 123.3	\$ 117.6	\$ 112.6
Percent change	2.6	7.2	16.0	17.2	15.8	13.0	5.2	4.8	4.4	7.4
Total earnings	\$ 137.3	\$ 135.9	\$ 128.1	\$ 117.4	\$ 107.3	\$ 98.9	\$ 92.1	\$ 88.4	\$ 85.1	\$ 81.8
Percent change	1.0	6.1	9.2	9.4	8.5	7.4	4.1	3.9	4.1	9.1
Wages and salaries	\$ 110.9	\$ 110.0	\$ 103.8	\$ 94.3	\$ 85.4	\$ 77.3	\$ 71.6	\$ 67.6	\$ 64.4	\$ 62.7
Percent change	0.7	6.0	21.6	22.0	19.2	14.4	6.0	4.9	2.7	8.7
Other labor income	\$ 12.2	\$ 11.6	\$ 11.1	\$ 10.5	\$ 10.2	\$ 10.0	\$ 9.7	\$ 9.9	\$ 9.4	\$ 8.9
Percent change	4.5	5.3	8.5	5.3	4.9	1.5	(1.6)	5.2	5.1	10.7
Farm proprietor's income	\$ 0.0	\$ 0.3	\$ 0.1	\$ 0.5	\$ 0.5	\$ 0.9	\$ 0.6	\$ 0.6	\$ 1.0	\$ 0.9
Percent change	(95.5)	209.8	(82.0)	(40.9)	(16.3)	46.3	(6.9)	(40.9)	17.4	42.2
Nonfarm proprietor's income	\$ 14.3	\$ 13.9	\$ 13.2	\$ 12.0	\$ 11.2	\$ 10.7	\$ 10.2	\$ 10.4	\$ 10.3	\$ 9.3
Percent change	2.2	5.7	17.5	11.9	10.2	3.3	(1.8)	0.8	11.2	7.8
Less: Personal contributions for social insurance	\$ 8.4	\$ 8.2	\$ 7.9	\$ 7.2	\$ 6.6	\$ 6.1	\$ 5.7	\$ 5.4	\$ 5.1	\$ 4.9
Percent change	2.4	4.4	19.0	18.8	16.0	12.2	5.8	6.4	3.2	8.2
Plus: Residence adjustment	\$ 2.4	\$ 2.4	\$ 2.0	\$ 1.7	\$ 1.6	\$ 1.5	\$ 1.3	\$ 1.2	\$ 1.1	\$ 1.0
Percent change	0.5	16.5	24.4	16.9	27.0	26.9	11.4	5.7	6.1	6.8
Dividends, interest, and rent	\$ 36.3	\$ 35.2	\$ 31.5	\$ 31.7	\$ 28.9	\$ 26.6	\$ 24.4	\$ 22.7	\$ 20.8	\$ 20.2
Percent change	3.1	11.8	9.0	19.1	18.3	17.0	7.3	9.4	2.8	(0.2)
Transfer payments	\$ 24.2	\$ 21.7	\$ 20.6	\$ 19.6	\$ 19.0	\$ 18.4	\$ 17.6	\$ 16.4	\$ 15.7	\$ 14.5
Percent change	12.0	5.3	8.0	6.5	8.2	12.2	7.3	4.5	8.1	10.6

Note: Figures may not total due to rounding.

Source: Washington State Economic and Revenue Forecast Council - November 2002 forecast.

Table 11A - Full-Time Equivalent Staff Comparison

Budgeted Funds

Fiscal Years 1993 through 2002

Function	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
General government	8,761	8,637	8,510	8,416	8,179	8,228	8,024	8,438	8,031	8,392
Human services	33,080	32,884	32,587	32,003	30,665	30,201	29,823	29,490	28,810	28,556
Natural resources and recreation	6,307	6,190	5,955	5,921	5,910	6,057	6,079	6,532	6,242	6,405
Transportation	10,531	10,250	10,254	10,140	9,827	9,958	9,753	9,947	10,047	9,971
Education	45,139	44,081	42,623	41,426	40,448	39,238	38,116	37,484	36,474	36,849
Total	103,818	102,042	99,929	97,906	95,029	93,682	91,795	91,891	89,604	90,173

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include:

- Operating and capital FTEs.
- FTEs of nonbudgeted Higher Education funds.

Source: Washington State Office of Financial Management - Accounting Division.

Table 11B - Full-Time Equivalent Staff Comparison

General Fund State

Fiscal Years 1993 through 2002

Function	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
General government	2,904	2,925	2,874	2,870	2,763	2,874	2,769	3,212	2,758	3,086
Human services	17,398	17,132	16,122	16,242	16,159	15,593	14,878	13,424	14,536	14,005
Natural resources and recreation	2,189	2,157	1,902	1,787	1,637	1,842	1,773	2,289	2,097	2,315
Transportation	391	416	405	407	211	222	174	296	361	343
Education	18,555	18,464	17,944	17,681	17,358	16,846	16,391	17,936	18,137	20,561
Total	41,437	41,094	39,247	38,987	38,128	37,377	35,985	37,157	37,889	40,310

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. This data includes operating and capital FTEs.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Source: Washington State Office of Financial Management - Accounting Division.

Table 12A - Public School Enrollment Grades K-12 and Other
Average Annual Full-Time Equivalent Enrollment

Academic Years 1992-93 through 2001-02

Grades	2001-02*	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
K-8	651,684	650,126	649,978	652,518	648,748	643,671	636,028	628,532	621,603	612,549
9-12	295,906	292,309	290,515	286,311	280,856	273,768	262,974	253,382	246,695	237,210
Private & Homebased	169	185	139	125	189	231	254	221	202	--
Summer	255	434	347	383	347	246	541	377	278	--
Running Start	8,295	7,938	7,467	7,001	6,251	5,510	4,452	3,695	2,502	--
UW Transition	43	40	38	41	43	41	40	40	--	--
Total	956,352	951,032	948,484	946,379	936,434	923,467	904,289	886,247	871,280	849,759

Notes: A Full-Time Equivalent student is defined as:

Kindergarten -- 4 classroom hours/day for 90 days or 2 classroom hours/day for 180 days.

Grades 1 through 3 -- 4 classroom hours/day for 180 days.

Grades 4 through 12 -- 5 classroom hours/day for 180 days.

Data may not add due to rounding

*Preliminary data. Data not complete until final report is received in January 2003.

Source: Washington State Office of Financial Management - Forecasting Division (Office of the Superintendent of Public Instruction).

Table 12B - Public Higher Education Enrollment
Average Annual Full-Time Equivalent Enrollment

Academic Years 1992-93 through 2001-02

	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
Community and Technical Colleges System*	133,962	128,093	125,131	121,302	117,925	118,515	118,075	113,403	111,035	91,590
4 Year Institutions**	87,969	84,832	82,778	81,991	80,605	79,571	78,095	77,391	76,457	74,423
Total	221,931	212,925	207,909	203,293	198,530	198,086	196,170	190,794	187,492	166,013

Notes: A Full-Time Equivalent student is defined as:

Undergraduate student -- 15 credit hours per term.

Graduate student -- 10 credit hours per term.

* Beginning in 1991-92, figures include community colleges and the Timber Worker Displacement program (TW).

Beginning in 1993-94, the Technical Colleges became part of the State Community and Technical College System (CTC), includes the

Beginning in 1997-98, figures include Private Career College (PCC) enrollments.

** Include all 4-year public institutions and branch campuses.

Source: Washington State Office of Financial Management - Forecasting Division.

Table 13A - Value of Agricultural Production

Calendar Years 1992 through 2001 (dollars in millions)

	% Change 2001 Vs 2000	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Field crops	5.4	\$1,763.7	\$1,673.1	\$1,524.7	\$1,612.4	\$1,832.6	\$2,049.1	\$2,095.1	\$1,594.0	\$1,710.3	\$1,409.5
Fruit and nut crops	12.9	1,335.5	1,182.9	1,237.2	1,052.6	1,235.7	1,232.7	1,351.2	1,061.9	1,014.6	996.9
Vegetable crops	(1.7)	314.8	320.1	299.3	352.1	357.6	307.6	313.1	302.6	285.1	242.5
Berry crops	29.2	61.0	47.2	66.1	45.6	50.1	54.4	52.9	59.4	44.9	41.3
Total Crops	7.8	3,475.0	3,223.3	3,127.3	3,062.7	3,476.0	3,643.8	3,812.3	3,017.9	3,054.9	2,690.2
Specialty products (1)	(5.5)	589.2	623.7	587.9	579.4	569.7	575.7	640.7	648.4	577.9	505.7
Livestock and livestock products	4.0	1,576.0	1,516.0	1,546.3	1,537.4	1,444.1	1,457.4	1,395.9	1,454.9	1,413.0	1,366.9
State Total		\$ 5,640.2	\$ 5,363.0	\$ 5,261.5	\$ 5,179.5	\$ 5,489.8	\$ 5,676.9	\$ 5,848.9	\$ 5,121.2	\$ 5,045.8	\$ 4,562.8

Note: (1) Includes forest products, nursery products, greenhouse products, horticultural products, and mushrooms.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Table 13B - Rank Order of Principal Commodities Value

Calendar Years 1992 through 2001 (dollars in millions)

Commodities	Rank 2001	% Change 2001 Vs 2000	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Apples	1	20.6	\$904,800	\$750,200	\$856,000	\$700,000	\$821,400	\$912,700	\$1,021,750	\$795,250	\$709,100	\$716,550
Milk	2	17.8	843,642	715,904	824,715	846,834	732,423	792,277	687,934	681,250	638,724	648,123
Potatoes, fall	3	23.8	552,240	446,250	476,000	447,480	431,984	451,203	553,823	422,370	469,050	346,500
Cattle and calves	4	(12.1)	492,641	560,729	454,222	458,719	468,580	409,697	450,009	516,294	545,351	488,252
Wheat, all	5	(0.2)	442,680	443,369	345,299	414,218	560,608	755,680	742,500	525,508	573,802	453,474
Hay, all	6	5.6	375,328	355,261	307,027	312,588	361,824	371,347	328,878	268,839	284,580	247,866
Nursery & greenhouse products (1)	7	2.5	288,378	281,345	282,211	273,793	262,620	245,000	245,000	240,000	220,000	200,000
Forest products, farm	8	(1.8)	221,000	225,000	240,000	247,000	255,000	300,000	338,000	353,000	303,000	258,000
Sweet cherries	9	(6.9)	144,072	154,725	115,860	128,801	132,694	118,940	106,519	88,700	94,036	74,895
Grapes, all	10	4.4	133,071	127,460	114,400	105,276	124,410	57,744	73,676	57,600	89,929	66,747
Pears, all	11	14.4	121,289	105,995	121,204	107,886	123,670	125,768	118,166	97,377	93,771	111,826
Hops	12	(1.8)	92,927	94,591	80,930	73,457	89,306	93,953	99,290	96,775	101,220	98,223
Sweet corn, all	13	(5.7)	66,268	70,261	64,103	65,752	61,905	57,584	69,221	53,053	47,697	41,461
Onions, all	14	(0.9)	64,037	64,605	51,795	84,255	99,569	55,452	45,940	62,702	83,250	44,234
Eggs	15	4.4	62,412	59,759	59,031	69,023	75,024	89,961	93,241	83,403	74,628	68,948
Christmas trees	16	(1.7)	59,000	60,000	50,000	48,000	45,000	45,000	42,000	42,000	42,000	37,000
Asparagus	17	(10.9)	48,910	54,876	51,216	61,217	64,204	63,312	58,659	56,304	55,790	59,040
Corn, silage	18	18.7	48,360	40,755	41,470	43,500	45,430	37,700	34,344	30,420	27,040	25,200
Barley	19	(38.1)	40,950	66,199	50,882	53,404	80,630	72,019	59,299	28,527	46,461	41,184
Red raspberries	20	46.0	37,784	25,888	48,291	22,664	28,020	30,459	35,182	39,423	28,126	22,005
Mint oil	21	(1.4)	33,822	34,309	37,236	54,501	53,066	54,413	51,547	44,001	43,000	50,857
Aquaculture (2)	22	(25.8)	30,541	41,183	40,368	26,811	34,315	35,430	40,554	51,232	40,106	51,720
Corn, grain	23	(42.0)	27,170	46,805	41,940	46,550	54,150	69,930	66,861	52,448	47,120	40,392
Haylage	24	18.9	26,075	21,924	43,763	36,685	N/A	N/A	N/A	N/A	N/A	N/A
Kentucky bluegrass seed	25	(11.5)	22,875	25,840	18,160	17,500	18,160	17,457	13,694	12,864	15,729	11,303
Peaches	26	(11.9)	18,588	21,096	22,653	26,774	19,335	5,100	13,994	8,953	10,145	10,732
Green peas, processing	27	(26.3)	18,148	24,638	22,588	26,921	25,342	20,408	30,246	33,805	22,115	22,645
Mushrooms	28	18.0	16,711	14,160	15,307	15,751	N/A	N/A	N/A	N/A	N/A	N/A
Alfalfa seed	29	(18.2)	13,800	16,875	18,360	19,320	13,400	11,748	10,005	10,735	11,400	10,560
Lentils	30	(3.7)	12,032	12,495	31,390	28,268	29,120	24,784	34,449	25,440	23,409	27,143

Note: (1) Includes floriculture.

(2) The Washington State Department of Fish and Wildlife annually calculates the value of aquaculture production. Aquaculture total excludes trout which is listed separately.

(3) Value of production for sugarbeets based on previous year's price. Data for 2001 will be published in CROP VALUES, February 2003.

N/A indicates data not available.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Table 14A - International Trade Facts

All Washington Ports

Calendar Years 1992 through 2001 (dollars in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Exports (1)	\$ 42,935	\$ 42,100	\$ 46,513	\$ 48,780	\$ 47,685	\$ 40,380	\$ 34,986	\$ 35,141	\$ 39,226	\$ 37,842
Imports	58,144	64,991	59,676	55,604	53,193	46,849	47,972	46,232	49,121	40,907
Trade balance	(15,209)	(22,891)	(13,163)	(6,824)	(5,508)	(6,469)	(12,986)	(11,091)	(9,895)	(3,064)
Two-way trade	101,079	107,091	106,189	104,384	100,878	87,229	82,958	81,373	88,347	78,752

Note: (1) These figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).

Table 14B - Major Export Trading Partners

Calendar Years 1992 through 2001 (dollars in millions)

Partners	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Canada	\$ 6,525	\$ 7,210	\$ 6,904	\$ 6,836	\$ 7,131	\$ 6,230	\$ 6,051	\$ 6,098	\$ 6,535	\$ 5,923
Japan	5,938	6,837	7,868	8,754	9,871	9,026	8,719	7,941	8,235	8,512
Korea	3,605	3,445	2,923	1,837	4,290	4,609	4,504	3,147	3,085	2,668
China	3,445	2,540	2,453	3,852	2,273	2,091	1,602	2,260	2,584	1,903
Singapore	2,770	690	1,434	1,745	1,968	1,545	1,353	1,670	1,398	1,032
United Kingdom	2,721	3,203	4,312	4,451	4,551	1,788	1,299	2,204	2,240	2,263
Taiwan	1,970	2,076	1,278	2,409	2,246	2,330	2,422	1,766	2,605	1,733
Germany	1,728	1,855	2,043	2,278	1,497	1,120	949	684	979	1,786
France	1,157	950	1,337	836	250	299	276	345	738	1,048
Saudia Arabia	1,086	624	1,257	2,058	892	144	41	41	35,342	45
Netherlands	834	1,518	1,482	877	1,216	1,052	802	495	643	818
Hong Kong	824	785	861	1,429	1,331	1,724	1,328	1,115	1,272	1,177
Malaysia	742	414	529	1,469	1,354	593	578	1,014	1,398	889
Thailand	619	578	711	943	1,347	1,194	563	382	458	722
Spain	376	1,010	927	43	167	126	118	341	225	264
Sweden	238	866	876	365	134	154	100	57	83	194
Russia	112	313	348	1,084	330	300	378	514	124	6

Note: 1990-1999 statistics based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).

Table 14C - Major Import Trading Partners

Calendar Years 1992 through 2001 (dollars in millions)

Partners	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Japan	\$ 17,074	\$ 20,022	\$ 19,622	\$ 19,303	\$ 20,833	\$ 18,877	\$ 20,507	\$ 20,441	\$ 20,960	\$ 17,171
Canada	12,659	14,690	11,961	10,429	9,663	8,107	6,810	6,270	5,704	4,791
China	9,875	10,651	9,288	8,428	7,612	6,655	6,578	5,845	4,894	4,152
Taiwan	3,200	4,021	3,845	4,105	3,217	3,062	3,569	3,338	4,934	3,449
Korea	2,558	2,793	2,507	2,337	2,354	2,124	2,568	2,536	3,335	3,196
United Kingdom	2,342	1,645	2,478	2,172	1,744	836	793	1,096	841	1,118
Hong Kong	1,634	1,345	1,116	1,183	1,380	1,237	1,091	1,106	1,805	1,266
Thailand	1,015	1,332	1,152	1,195	1,179	977	980	963	835	809
Phillipines	1,011	1,089	1,070	813	381	380	498	485	439	401
Indonesia	880	781	739	762	647	600	669	520	533	384
France	859	726	736	341	121	162	198	642	736	844
Malaysia	772	958	808	816	599	669	715	623	622	553
Australia	663	904	841	714	844	695	536	396	825	566
Germany	489	496	444	397	311	305	251	159	174	206
Singapore	302	322	325	291	237	306	431	425	814	687

Note: Based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).